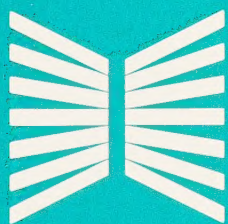


Imasco Annual Report 1991

AR28



Contents

| | |
|----|--|
| 1 | Financial Highlights |
| 2 | • Overview |
| 4 | To our Shareholders |
| 6 | Imperial Tobacco |
| 8 | Canada Trust |
| 10 | Hardee's Food Systems |
| 12 | Shoppers Drug Mart/Pharmaprix |
| 14 | The UCS Group |
| 15 | Corporate Governance |
| 16 | The Board of Directors |
| 18 | Corporate Citizenship |
| 20 | Unaudited Statement of Earnings Assuming Consolidation of Imasco Enterprises |
| 21 | Unaudited Balance Sheet Assuming Consolidation of Imasco Enterprises |
| 22 | Management's Discussion and Analysis of Operating Company Results |
| 26 | Auditors' Report |
| 27 | Audited Financial Statements and Management's Discussion and Analysis |
| 50 | Operating Company Statistics Six year review |
| 51 | CT Financial Services Inc. Statistics Three year review |
| 52 | Selected Eleven Year Financial Data |
| 54 | Quarterly Consolidated Financial Information |
| 55 | Officers and Operating Company Information |
| 57 | Investor Information |

The Annual Meeting of Shareholders will be held on April 29, 1992 at 14:30 at Le Château Champlain, 1 Place du Canada, Montréal, Québec.

Si vous désirez recevoir le rapport annuel en français, veuillez communiquer avec

Le Secrétaire
Imasco Limitée
600, boulevard de Maisonneuve ouest
20^e étage
Montréal, Québec
H3A 3K7
(514) 982 9111

This report includes selected information on CT Financial Services Inc., a public reporting company with shares trading on the Toronto and Montréal stock exchanges. CT Financial Services produces an annual report and a copy can be obtained by contacting

Corporate Communications
CT Financial Services Inc.
Canada Trust Tower
275 Dundas Street
London, Ontario
N6A 4S4
(519) 663 1938

On the cover

Our success as a corporation is ultimately determined by how well we service our customers. This report highlights the actions and thoughts of five customer service leaders from Imasco companies.

Financial Highlights

Imasco Limited

| | 1991 | 1990 | 1989 | 1990-91 | 1989-90 |
|---------------------------------|--|----------|----------|----------|----------|
| | Millions of dollars, except common share amounts | | | % change | % change |
| System-wide sales ¹ | 15,558.0 | 15,023.1 | 13,198.8 | 4 | 14 |
| Revenues | 5,432.5 | 5,234.0 | 4,517.5 | 4 | 16 |
| Operating earnings | 659.3 | 627.0 | 684.0 | 5 | (8) |
| Net earnings | 331.6 | 295.1 | 366.1 | 12 | (19) |
| Cash from continuing operations | 494.7 | 428.8 | 339.1 | 15 | 26 |
| Total assets | 5,371.5 | 5,445.0 | 5,378.0 | (1) | 1 |
| Shareholders' equity | 2,855.2 | 2,719.9 | 2,610.4 | 5 | 4 |

Operating Companies

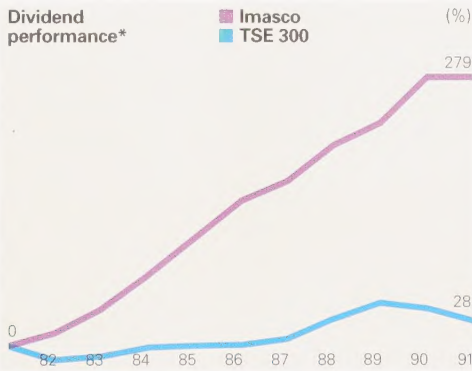
| | | | | | |
|--|---------|---------|---------|------|------|
| System-wide sales ¹ | | | | | |
| Imperial Tobacco | 2,952.7 | 2,707.6 | 2,385.6 | 9 | 14 |
| Hardee's | 5,012.2 | 4,833.6 | 4,146.7 | 4 | 17 |
| Shoppers Drug Mart | 2,934.1 | 2,843.6 | 2,597.7 | 3 | 9 |
| The UCS Group | 305.1 | 314.7 | 286.1 | (3) | 10 |
| Imasco Enterprises (includes Canada Trust) | 4,437.7 | 4,412.4 | 3,962.4 | 1 | 11 |
| Operating earnings | | | | | |
| Imperial Tobacco | 397.0 | 367.1 | 334.0 | 8 | 10 |
| Hardee's | 41.6 | 69.2 | 118.6 | (40) | (42) |
| Shoppers Drug Mart | 87.9 | 80.5 | 70.6 | 9 | 14 |
| The UCS Group | (2.0) | 8.6 | 8.3 | — | 4 |
| Equity in net earnings of | | | | | |
| Imasco Enterprises (includes Canada Trust) | 134.8 | 101.6 | 152.5 | 33 | (33) |

Common Shares

| | | | | | |
|------------------------|--------|--------|--------|----|------|
| Net earnings per share | \$2.56 | \$2.25 | \$2.87 | 14 | (22) |
| Dividends per share | \$1.28 | \$1.28 | \$1.12 | — | 14 |

¹Includes the consolidated revenues of the Corporation, the sales of licensed restaurants and associated drug stores and the revenues of Imasco Enterprises. Intersegmental trans-

actions have been eliminated from total system-wide sales. Comparative amounts have been restated to conform with the current year's presentation.



* Based on an initial \$100 investment and year end closing values. Assuming dividends reinvested.

* Over the past 10 years, Imasco's dividend has increased 279%, compared with a 28% increase for the TSE 300.

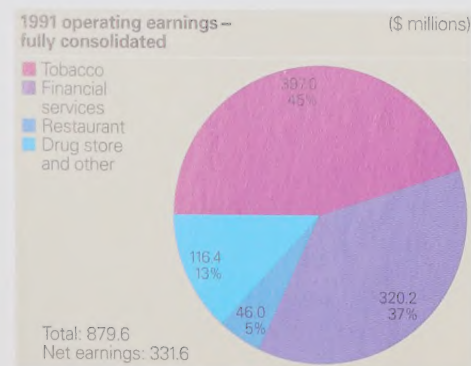


Imasco's mission is to build shareholder value as a leading North American consumer products and services company. Formed in 1970 to diversify the interests of Imperial Tobacco, Imasco has since acquired and further developed other outstanding businesses in the consumer sector.

The Imasco management system encourages operating leaders to aggressively pursue the development of their businesses. An important common thread is the corporate business plan. It identifies a set of convictions, objectives and strategies that are shared by all of the operating companies:

- Strong financial performance;
- Excellence in operations and an emphasis on increasing asset productivity;
- Delivery of goods and services of the highest quality and integrity;
- Careful measurement of consumer preferences and timely response with new products and services;
- Recognition of the importance of corporate and brand trademarks and the enhancement of their value;
- Systematic development of the best available human resources;
- Community responsibility.

On a fully consolidated basis, the contribution of each of Imasco's principal lines of business to earnings from operations in 1991 is depicted below.



Imperial Tobacco was established in 1912 to manufacture and distribute a full range of quality tobacco products for the Canadian market. Its cigarette trademarks include the two largest selling brand families in Canada, Player's and du Maurier.

For many years, Imperial Tobacco has been steadily increasing its share of the Canadian cigarette market and in 1991 the company's market share reached 62%. Success has been based on recognizing consumer preferences and satisfying them with products of the highest quality.

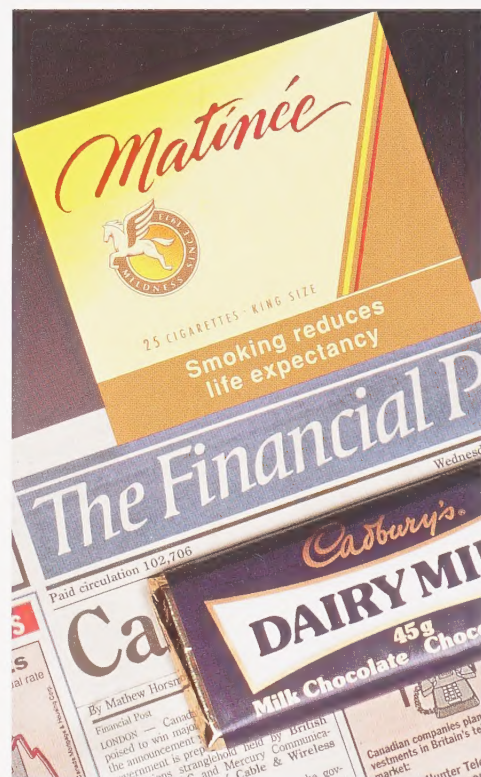
Although total cigarette consumption in Canada is declining, Imperial Tobacco's market leadership has resulted in continued growth in the company's contribution to Imasco's earnings.



Canada Trust, acquired in 1986, has been serving Canadians for over 130 years. Today Canada Trust is a market leader in Canadian retail financial services with total assets under administration of \$124.0 billion and operations in all 10 provinces. A complete range of savings and loan services is provided through a network of 349 branches, while 23 offices in major centres offer personal and pension trust services. Other activities include commercial and corporate lending, real estate brokerage, investment counselling and real estate management and investment.

Canada Trust entered the U.S. market in 1991 with the acquisition of First Federal Savings and Loan Association of Rochester. The First Federal system includes 67 branches in two states.

The success of Canada Trust is based on customer convenience, highly efficient information systems, innovative marketing, quality products and friendly service. These attributes have led to steady growth in core services such as personal deposits and loans and residential mortgages.



Hardee's Food Systems ranks third, by system-wide sales, in the sandwich category of the U.S. quick service restaurant industry. Hardee's sister company, Fast Food Merchandisers, supplies food and paper products primarily to the Hardee's system but also to an increasing number of other customers. Hardee's and FFM have grown steadily since being acquired by Imasco in 1981. At year end, the system consisted of 4,014 licensed and company-operated restaurants.

Well executed plans that respond to consumer needs and expectations are fundamental to the success of Hardee's. They help to ensure that products and services are relevant to today's consumer and that Hardee's succeeds in its mission of being *The best restaurant in the neighbourhood*.

Shoppers Drug Mart/Pharmaprix has achieved consistent growth and success since becoming part of Imasco in 1978. With 671 stores, it is Canada's leading drug store group, accounting for approximately 32% of industry sales.

An important strength of the company is the associate concept. Associates are the pharmacists who own and operate the Shoppers Drug Mart/Pharmaprix stores across the country. They contribute energy and initiative to the system while benefitting from innovative national marketing programs, economies of scale in purchasing and a wide variety of specialized support services. The Shoppers Drug Mart positioning statement, *Everything you want in a drugstore*, expresses the company's commitment to its customers and is the cornerstone of its success.

The UCS Group is Canada's leading small space specialty retailer, operating 526 outlets across the country.

Over the years, The UCS Group has adapted its store concepts and product mix to meet changing consumer needs. The company now serves a broad cross-section of consumers, offering tobacco products, confectionery, snack foods, reading materials, souvenirs, gifts, novelties and greeting cards. Stores are typically located in high traffic areas such as shopping malls, commercial centres, airports and hotels.

The UCS Group also operates a number of tax and duty free outlets in Canadian airports.

"Our ability to properly service customers is directly related to the dedication, loyalty and pride of our employees."

- Imasco Corporate Business Plan

The five men and women on the cover of this year's annual report have distinguished themselves by providing outstanding customer service over the past year. As you turn to the reports on our operating companies, I urge you to read the accompanying stories of these exceptional persons who have raised the service standards of each of their companies. Together with their 180,000 Imasco colleagues throughout Canada and the United States, they stand behind the quality of our trademarks and their extraordinary efforts deserve to be fully recognized. Outstanding service builds value in trademarks and our focus on service and trademarks builds value for shareholders.

A year of good growth

The weak economy in 1991, combined with major restructuring activities in many industries, shattered consumer confidence across North America. This was aggravated in Canada by the implementation of the Goods and Services Tax, admittedly a replacement tax in the larger scheme of things, but clearly a new tax in the minds of many consumers. The GST, along with unprecedented levels of tobacco tax increases in Canada, contributed strongly to the enormous wave of cross-border shopping. This posed special challenges for Imperial Tobacco and our Canadian retail locations, particularly those near the U.S. border.

In this difficult economic environment, Imasco achieved good growth and we consider our overall results in 1991 to be very satisfactory. Earnings per share were up 14% to \$2.56 and return on average common shareholders' equity was 12.5% compared with 11.6% in the previous year. While the rebound in Imasco's earnings is encouraging, our success in generating free cash flow is more encouraging still. Cash from continuing operations was up substantially over 1990, rising 15% to \$495 million. Each of our four largest operating companies made a positive contribution to cash flow in 1991. Imasco's debt to total capital ratio has steadily improved since 1986 and was 39.1% at year end. The strong cash generating capabilities of our businesses should allow further progress to be made in 1992.

Operating company highlights

Shared corporate services are most often identified as advantages of Imasco's diversified corporate structure. However, there are operating benefits that are even more important. All of our companies were helped through last year's difficulties by the sharing of expertise and ideas with other Imasco companies and with the corporate centre. This is one way that significant value gets added at the operating earnings line.

Notwithstanding high levels of tobacco taxation, Imperial Tobacco recorded yet another year of solid earnings and continued growth in its domestic market share. This is a tribute to Imperial's outstanding complement of employees, strong leadership and unrivalled strength in trademarks. Imperial continues to invest in productivity improvement measures, and its two leading trademarks, Player's and du Maurier, together have more than a 52% share of the market in Canada.

Canada Trust also had a good year, although the poor economy intensified competition for the savings of Canadians and resulted in higher investment loss provisions. It is important to note that, through it all, Canada Trust was able to maintain its exceptional level of asset quality and that no banking institution in Canada is rated more creditworthy. Canada Trust is a strong competitor. Its innovative services, friendliness and convenient hours have been setting industry standards for many years.

The 1991 acquisition of First Federal Savings and Loan Association of Rochester is an important strategic move for Canada Trust. In keeping with expectations, First Federal has already made a significant contribution to earnings and there are other benefits as well. Most notable are remarkable similarities in the business profile and management style of the two companies which yield important opportunities for sharing expertise. With the industry consolidating on both sides of the border, expansion opportunities are surfacing regularly and Imasco is excited about Canada Trust's prospects in both Canada and the United States.

Shoppers Drug Mart/Pharmaprix recorded another outstanding year in 1991. Aggressive marketing and promotions were developed to attract Canadians to the 671 stores across the country. Management was also quick

to realize that the GST posed a substantial threat to business in terms of preserving margins and retaining customers. Planning was thorough and no company in Canadian retailing was better prepared for the GST. The results of these efforts are evident. Comparable store sales were up 5% and Shoppers Drug Mart/Pharmaprix consolidated its position as the leading company in the Canadian drug store business, with a 32% share of the market.

For Hardee's Food Systems, the economy, an increasingly mature and competitive fast food industry as well as weaknesses in company-operated restaurants took their toll in 1991. Operating earnings declined from 1990, itself a disappointing year. Hardee's new chief executive, Bob Autry, has solid support from the owner-operators of Hardee's licensed restaurants. He is bringing strong, no-nonsense management to the company. We believe that the mid-year change of leadership at Hardee's, with a renewed focus on the fundamentals of the business, will restore satisfactory earnings over time.

Among Imasco's operating companies, none was harder hit by prevailing market conditions and government tax policies than The UCS Group. Tobacco taxation not only drove customers out of the stores, but across the U.S. border. The UCS Group felt the slump in retailing as well as the decline in tourism and business travel in its hospitality division. Sales declined and a small operating loss was incurred, clearly a disappointment. However, The UCS Group is positioned for a recovery and renewed growth.

Other developments

In accordance with changes adopted by the Canadian Institute of Chartered Accountants, Imasco will be reporting 1992 financial results on a fully consolidated basis. To introduce shareholders to the format, we have provided an unaudited, fully consolidated statement of earnings and balance sheet on pages 20 and 21 of this report.

Under full consolidation, Canada Trust's results are presented in a manner that is more comparable to Imasco's other operating companies. This serves to demonstrate the importance of Canada Trust to Imasco. With full consolidation, the contribution of Genstar Development Company, another operating company that was previously

accounted for by the equity method, will become apparent. Genstar develops residential land for home builders. It has been making an important contribution to Imasco's earnings and cash flow since being acquired as part of Genstar Corporation in 1986.

There were several major developments in the area of public policy during 1991 that are of direct interest to Imasco shareholders. Last May, Imperial Tobacco, in conjunction with other industry participants, tapped into the latent anger of Canadian smokers by facilitating a tax protest. Many of the 6.4 million Canadians who smoke, and even many who do not, participated. Millions of protest forms printed on cigarette packs were mailed to the Prime Minister. The campaign served to raise the awareness of Canadians in general, and governments in particular, that smokers are being unfairly singled out as the target of taxation policies.

In July, the Québec Superior Court ruled in favour of Imperial Tobacco's challenge to the Tobacco Products Control Act, the federal legislation banning tobacco product advertising. The Act was held to be unconstitutional and to be in violation of the Canadian Charter of Rights and Freedoms. The government is appealing the decision but we believe that it will be upheld by the higher courts.

After years in the making, new financial services legislation was adopted by parliament in December. Under the federal legislation, which is expected to be proclaimed in 1992, Canada Trust receives substantially the same business powers as its principal competitors, the chartered banks. However, Canada Trust, unlike the banks, is regulated by all 10 provincial governments. Because of conflicts between federal and provincial rules, Canada Trust will not be able to exercise all of the new business powers. Efforts are under way to harmonize federal and provincial regulations and Canada Trust intends to participate fully in the related consultation process. We are pleased that the new Act will enable Imasco to retain a 65% voting interest in Canada Trust. We will have five years from the proclamation date to reduce our present 98% voting interest in the company.

Management appointments

There were several very promising additions and changes at the senior executive level

over the year. Brian Levitt was named president of Imasco. Ed Clark joined Canada Trust as vice-chairman and chief operating officer. Bob Autry, in addition to taking the helm at Hardee's, joined the Imasco Board. At Imperial Tobacco, Don Brown succeeded Wilmot Tennyson as president and chief operating officer.

Wilmot Tennyson has been a tremendous leader, making a significant contribution to Imperial Tobacco's steady growth in market share over the years. He also taught everyone in the Imasco family a great deal about the value of strong trademarks; how to nurture and protect them through stringent standards of quality. We are all greatly indebted to Wilmot and wish him good health and happiness in his retirement.

Board of Directors

It is my great pleasure to inform shareholders that our former chairman, Paul Paré, has been inducted into the Canadian Business Hall of Fame. Using Imperial Tobacco as a base, Paul founded Imasco with a vision to build it into a leading consumer products and services corporation. Imasco's growth over the years bears witness to the energy and great skill that he applied to the task. On behalf of his fellow directors and shareholders, I extend sincere congratulations to Paul for this well deserved recognition.

Peter Maurice, president and chief executive officer of Canada Trust, will stand for election to the Board of Directors at this year's Annual Meeting of Shareholders. Many of us at Imasco have worked closely with Peter for a number of years and we look forward to the valuable contribution that he will make to our Board.

On February 5, 1992, the Board of Directors raised the quarterly dividend on common shares 6% to \$1.36 on an annualized basis.

Canadian unity

This year marks the 125th anniversary of Canadian confederation. It is my hope that Canadians will have additional cause to celebrate with a successful conclusion of the current round of constitutional talks. As with every company, the prosperity of Imasco depends on the prosperity of its markets. And the prosperity of Canada depends fundamentally upon national unity.



At Imasco, we believe strongly in the inherent value of trademarks. The principal feature of a strong trademark is consumer trust based on proven performance. If the countries of the world were considered as trademarks, Canada would stand among the very best. We have tremendous credibility and leverage in support of national objectives, particularly investment, that could never be replaced if Canada were split in two. The key tests to apply to proposals for change are the unity and prosperity of Canada. For those of us who care about Canada, the time has come to set aside our regional differences and work together to preserve and enhance the economic and political union of this great country.

Outlook

We are confident that actions taken in 1991 and plans for the current year stand us in good stead to make further progress on our growth objectives for 1992 and beyond. There are special challenges to be met at Hardee's and a better economy would be helpful. However, as things now stand, an economic recovery is far from certain. What is certain are the strengths that each of Imasco's operating companies has built up over time, strength in human resources, in trademarks, in market positioning and in technology applications. The foundation is strong and the prospects are very exciting.

On behalf of the Board of Directors,

Purdy Crawford

Purdy Crawford
Chairman and Chief Executive Officer

February 5, 1992

Highlights of operations

Millions of dollars, except as noted

| Highlights of operations | Twelve months ended December 31 | | | | |
|---|---------------------------------|---------|---------|---------|---------|
| Millions of dollars, except as noted | 1991 | 1990 | 1989 | 1988 | 1987 |
| Revenues | 2,952.7 | 2,707.6 | 2,385.6 | 2,018.1 | 1,926.0 |
| Revenues, net of sales and excise taxes | 1,040.2 | 963.1 | 896.2 | 862.0 | 816.2 |
| Operating earnings | 397.0 | 367.1 | 334.0 | 308.0 | 279.1 |
| Operating margins (%) | 38.2 | 38.1 | 37.3 | 35.7 | 34.2 |
| Market share – domestic cigarettes (%) | 62.0 | 60.0 | 57.9 | 56.2 | 54.4 |
| Capital expenditures | 22.1 | 23.2 | 22.9 | 18.9 | 25.6 |

Round one of the fight over the federal government's tobacco products advertising ban was won by Imperial Tobacco.

In 1991, tobacco taxes were raised as never before and Canadian smokers told their governments that enough is enough.

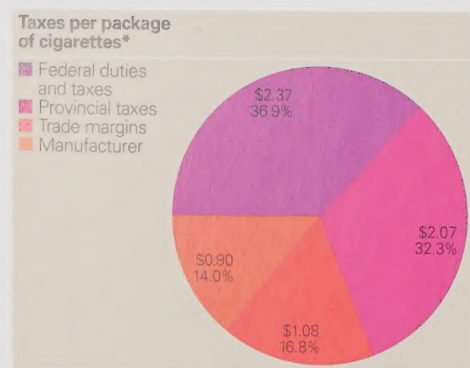
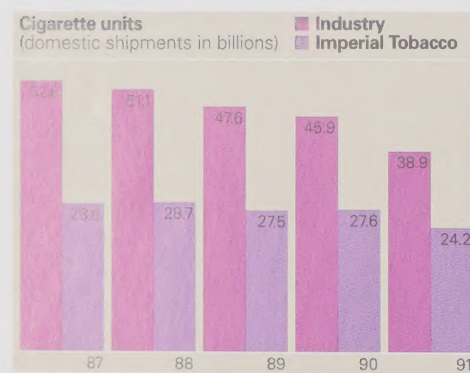
Imperial Tobacco's share of the Canadian manufactured cigarette market increased two share points to 62%.

The power of Imperial Tobacco's trademarks led to another year of record earnings and strong market share growth in 1991. By all accounts, it was a difficult year for the industry, principally because governments raised tobacco taxes as never before. Federal and provincial tax increases caused retail cigarette prices to rise by 35% to 40%. Consequently, it was widely expected that industry volume would decline by at least 10%, but this did not materialize. In fact, 1991 was the year when Canadian smokers told their governments that enough is enough. They did so in two very dramatic ways.

point, consider that domestic sales of cigarettes and cigarette equivalents, principally fine cut tobacco for roll-your-own cigarettes, declined 14% in 1991. However, if export and duty free sales are included, the decline was less than 4%. Tobacco taxation, it seems, is rapidly approaching the point of diminishing returns both as a source of government revenue and as a means of curbing tobacco consumption in Canada.

Governments are rightly concerned about cross-border shopping and tobacco smuggling. Looking for a solution, the federal government imposed an export tax on Canadian tobacco products in February 1992. In our view, the tax is misguided and will work to the detriment of all participants in the Canadian industry. It will curtail legitimate exports of tobacco products while inducing smugglers to distribute American brands in Canada. We do not condone smuggling but we are prepared to take whatever steps are necessary to protect the company's interests in legitimate export markets. Ultimately, that could involve transferring some production outside Canada.

Imperial Tobacco did receive some good news in 1991 with our successful court challenge of the Tobacco Products Control Act. The Act came into force on January 1, 1989 and provided for the elimination of all Canadian tobacco product advertising by 1993. The court supported our view that the Act violated freedom of expression under the Canadian Charter of Rights and Freedoms and that the federal government had legislated outside its jurisdiction. We regard this as a landmark decision, one which demonstrates that the courts are there to protect people from those who would seek to limit freedom of expression, including governments. The Attorney General has appealed the de-

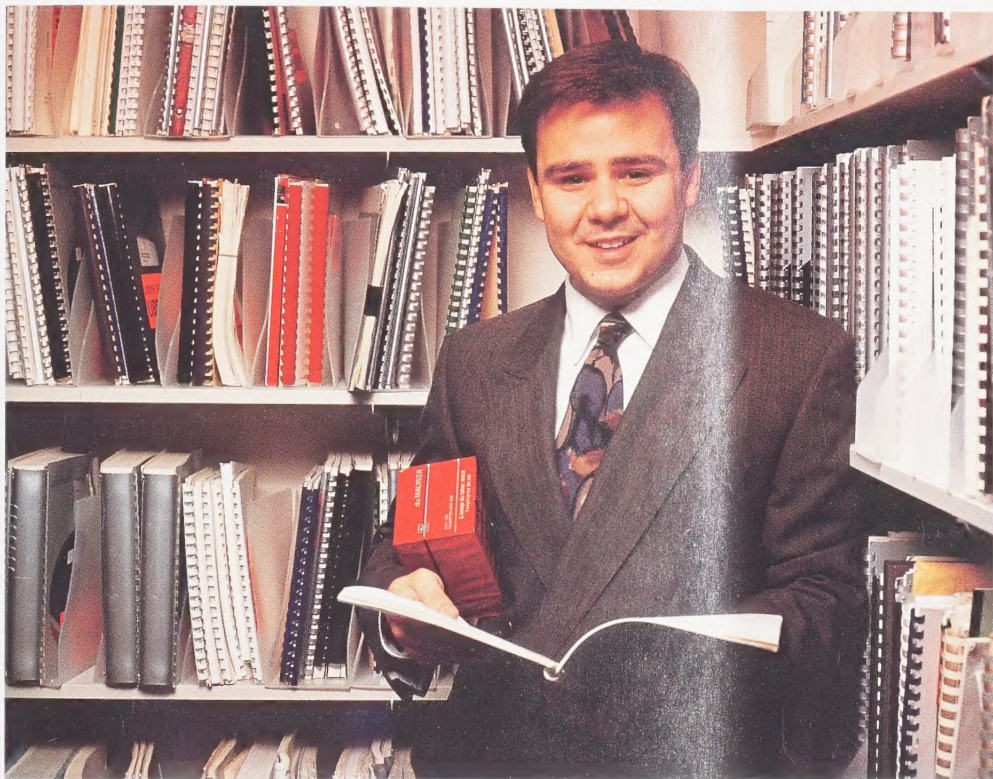


In May, Imperial Tobacco joined a campaign to facilitate a tax protest by frustrated Canadian smokers. The manufacturers, with support from their unions, tobacco growers, the Smokers' Freedom Society and the National Association of Tobacco and Confectionery Distributors, made protest forms available in cigarette packages and at retail outlets. Surveys at the time indicated that several million forms were sent to the Prime Minister and that 60% of the Canadians who were aware of the campaign supported the protest. This support included a large number of non-smokers. The message sent by citizens from across the country to elected politicians was clear. Tobacco taxation in Canada has reached unacceptable levels.

The second manifestation of smokers' dissatisfaction has been the dramatic shift in purchasing patterns. In last year's annual report, we indicated that high tobacco taxation was encouraging cross-border shopping as well as the growth of a worrisome illicit market for smuggled and stolen cigarettes. The tax increases in 1991 served to accelerate these trends to the point where it is no longer sufficient to measure the industry by domestic sales alone. To illustrate this

*Based on a retail price of \$6.42 per pack of 25 cigarettes in the Province of Ontario, October 1991.

Gaétan Difoglio was born in Montréal. He studied marketing at Concordia University and obtained an M.B.A. from the University of British Columbia. He joined Imperial Tobacco's marketing division in 1990.



"The commitment is incredibly strong and we have very high standards. You don't get ahead by owning your ideas, you get ahead by sharing your ideas. The emphasis on consultation frees us from internal competition and allows us to focus on the consumer."

"I never think of it as a job. I have always tried to figure out why people do things. Most interesting is that you can always be surprised. We are very much a fact-based company. A lot of people have intuition and their own way of looking at things. But, in a world divorced from fact, the person with the most dominating personality will win. Sometimes the facts prove you wrong and you say to yourself that's why we do research. It's fun to discover that you are wrong."

"You can always learn more about consumers. The person that puts down the money changes all the time. In an ideal world, you would listen to each and every one of them and keep on doing it."

cision but we expect the ruling to be upheld by the higher courts.

While the judgment is an important affirmation of the right to commercial free speech in Canada, we recognize that many believe that tobacco advertising should be the object of some limitations. Indeed, the industry operated under a voluntary code restricting advertising from 1972 until the Tobacco Products Control Act came into force. We believe that the decision to smoke is one that informed adults should make and we actively encourage retailers to abide by federal and provincial legislation prohibiting the sale of tobacco to minors. It is still too early to predict if, and in what form, tobacco advertising will return in Canada. Fundamentally, our position is to avoid taking actions that Canadians at large would deem improper for a tobacco company.

Imperial's success is driven by relentless consumer research and respect for the value of our trademarks. Efforts by our employees to reduce controllable costs and enhance quality serve to strengthen our position further. We owe our industry-leading position to the time and effort spent making sure

that Canadian smokers are entirely satisfied by brands made in Canada by Imperial Tobacco. Trademarks do not exist on their own, they owe their existence to loyal consumers. Accordingly, Imperial has developed a full range of quality tobacco products, primarily under three brand families: Player's, du Maurier and Matinée.

The Player's family increased its domestic market share to 27.4% in 1991 and the du Maurier family continues to be a close second, growing to 25.0% of the market last year. The Matinée family of brands declined slightly to 5.8% of the market. After extensive consumer research, packaging designs for all Matinée products were updated in 1991 to project a more international and contemporary image. In 1992, Matinée Ltd. will assume sponsorship of Tennis Canada's premier international women's tennis tournament, acknowledged as one of the top women's tennis events in the world.

Our plans for 1992 can best be characterized as more of the same. All of our efforts and activities are designed to service consumers to the best of our ability. The formula has not changed because it is working so well.

What does change from year to year are the challenging circumstances that characterize the industry. Success in the face of challenge calls for commitment and ingenuity, qualities that our employees have demonstrated so often in the past and we have every confidence that they will do so again in 1992.

While Canadian tobacco consumption continues to decline, the outlook for the industry in general, and Imperial Tobacco in particular, remains positive. With the retirement of Wilmat Tennyson and the succession of Don Brown to the position of president and chief operating officer, Imperial Tobacco will continue to benefit from strong leadership. Don Brown came up on the marketing side of the company, playing a leading role in the development of Imperial's proven marketing and consumer research capabilities. Under his able direction, we expect further growth in Imperial Tobacco's market share and earnings well into the future.

Jean-Louis Mercier
Chairman and Chief Executive Officer

Highlights of operations

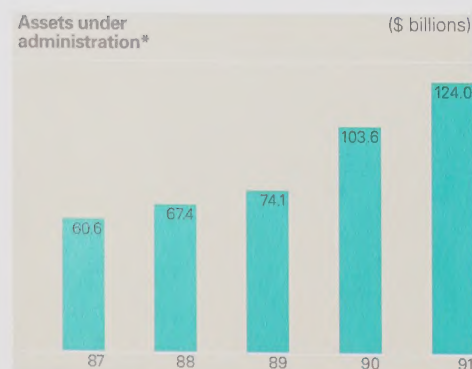
Millions of dollars, except as noted

| | | | Twelve months ended December 31 | | |
|---|-----------|-----------|---------------------------------|----------|----------|
| | 1991 | 1990 | 1989 | 1988 | 1987 |
| Assets under administration | 124,008.0 | 103,612.0 | 74,096.0 | 67,401.0 | 60,626.0 |
| Corporate assets | 42,188.4 | 35,087.4 | 32,666.0 | 29,219.2 | 25,514.8 |
| Loans | 31,230.1 | 25,518.4 | 24,201.0 | 22,661.7 | 19,679.3 |
| Deposits | 37,594.2 | 32,475.2 | 30,403.0 | 27,319.5 | 23,858.6 |
| Net earnings attributed to common shareholders | 209.5 | 201.4 | 240.2 | 232.0 | 201.0 |
| Return on common shareholders' average equity (%) | 12.8 | 13.2 | 17.3 | 19.0 | 19.4 |

No banking institution in Canada is rated more creditworthy than Canada Trust.

From acquisition through to year end, First Federal recorded earnings of \$18.7 million.

Canada Trust is the name by which most people know CT Financial Services Inc. and its principal operating companies, Canada Trustco Mortgage Company and The Canada Trust Company.



* CT Financial Services Inc.

Difficult economic conditions created a challenging operating environment for Canada Trust in 1991. A poor economy not only affects the growth of banking business volumes but also leads to higher provisions for investment losses. Net earnings attributed to common shareholders in 1991 were up 4% to \$209.5 million, compared with \$201.4 million in the prior year. Net earnings were 56 cents per \$100 of assets compared with 63 cents in 1990. Operating expenses were 2.24% of corporate assets, compared with 2.21% in 1990. This increase was largely a function of asset growth being less than expected. These results are satisfactory in the economic circumstances, particularly when the 64% increase in our investment loss provisioning is taken into account.

The major strategic development of 1991 was our acquisition of First Federal Savings and Loan Association of Rochester. With 67 branches and assets of \$6.2 billion, First Federal is making an immediate and significant contribution to Canada Trust's earnings. In the eight-month period from acquisition through to year end, First Federal recorded net earnings of \$18.7 million. Canada Trust and First Federal developed a close working relationship during the negotiations leading to the acquisition and the companies offer each other important benefits in the form of experience and expertise.

Canada Trust and First Federal share the same corporate culture which is marked by prudent asset management and an overriding concern for efficient and competitive services. As the barriers to international competition gradually fall in Canada, we can learn much from First Federal's successful practices and strategies in the fiercely competitive American marketplace. And, of course, First Federal is an important gate-

way for Canada Trust into the United States. Canada Trust brings financial strength, advanced information systems and marketing experience to the venture.

With the acquisition of First Federal, corporate assets grew substantially in 1991 to \$42.2 billion. Excluding the assets of First Federal, corporate assets at year end were \$36.0 billion compared with \$35.1 billion at the end of 1990.

Canada Trust is primarily a retail bank and we have a long established history of prudent management. Customer deposits are invested for the most part in low risk residential mortgages and this has built our trademark and national reputation for rock solid stability. No banking institution in the country is rated more creditworthy.

Our pool of personal deposits is the fourth largest in Canadian banking. In terms of deposit gathering, our branch system is the most efficient in Canada. With only 5% of the branches, Canada Trust's personal deposits represent approximately 13% of similar chartered bank deposits. Due to the weak economy and stiff competition for savings, Canadian deposit growth in 1991 was only 3% compared with 7% in 1990. Canadian deposits at year end stood at \$33.5 billion, up from \$32.5 billion the previous year.

Loans totalled \$31.2 billion, up from \$25.5 billion in 1990. The portfolio of residential mortgages and personal and consumer loans increased by \$5.5 billion to \$23.5 billion, of which \$3.8 billion is on the books of First Federal. Canada Trust Friendly Mortgages are flexible, innovative and competitive, and our residential mortgage portfolio is the third largest in the country. The Split Level Mortgage, introduced in 1991, combines

Anna Lee was born in Hong Kong and moved to Canada as a child. She has worked with Canada Trust for five years and is presently a side counter clerk at a recently opened branch in Coquitlam, British Columbia



"There are a lot of people to deal with and I love that. Our branch is new, we get the odd customer who transfers from another branch but I would say 75% - 80% are brand new customers. We met our financial objective for the first six months of operation and, right now, for the R.S.P. campaign, we are on top in the British Columbia region. We are number one."

"Our aim is to greet the customer by name, they really like that. It's all in the computer. Once we punch in the account number, we know the customer's name and we say 'Mr. Johnston, would you like that hundred dollars in twenties, tens and fives?' We use the computer to see the whole portfolio of our customers and offer other services that they might need."

"Everyone in the branch feels the same way. Customer service is our number one priority. If the customers aren't happy, they will go to our competitors. Make the customers happy - it's important."

open and closed mortgage options by allowing customers to "split" their mortgages into segments. The Split Level Mortgage has been well received by established customers and brought us new ones. Those switching their mortgage from another major financial institution to Canada Trust received an incentive bonus of up to \$500 for transferring their loan, with no charges for the paperwork.

We have also built a reputation for customer service and convenience. At Canada Trust, nothing is more important than our relationship with customers. Our business hours, 8 to 8 Monday through Friday and 9 to 5 on Saturday, revolutionized retail banking in Canada. We keep people hours, not bankers' hours, and our range of products and services is comprehensive. Late in 1991, Canada Trust introduced its Johnny Cash automated banking machines into six Shoppers Drug Mart stores. This enhances the service offering of Shoppers Drug Mart while providing added convenience to our customers. It also gives Canada Trust broader visibility in the marketplace. Our plans call for installing additional banking machines in Shoppers Drug Mart stores in 1992.

Retail banking is the core of our business but Canada Trust is also a strong player in estate management, residential and commercial estate investment, and development, leasing

rapidly growing segment of the business - personal pension and custodial trust services. Our advanced computer systems and well earned reputation for efficient operations provide us with a real competitive advantage in these areas. Trust funds at book value grew \$13.3 billion to reach \$81.8 billion at year end. Of this amount, \$3.9 billion was attributable to the First Federal Fund. \$4 billion was new business - further evidence of the confidence in our institutions and individual Canada Trust to manage their

Canada Trust employees and their development are critical to our future success. We are gradually decentralizing the decision-making process, empowering managers at the regional and branch levels to enhance

operations and service within established parameters. The Canada Trust Management Institute reinforces the Canada Trust culture through a process whereby managers learn from other managers. More than 3,000 management staff and trainees have taken courses at the Institute since its creation three years ago.

In the increasingly deregulated and globalized financial services market, the winners will be those who understand the business best and have the courage to do things differently. Introducing new ideas to enhance service is part of the Canada Trust way. Our convenient opening hours and innovative services are evidence of that. We will continue to do things differently and well for the benefit of our customers and, ultimately, for the benefit of shareholders.

Peter Maurice
President and Chief Executive Officer

Highlights of operations

Millions of Canadian dollars, except as noted

System-wide sales

Revenues

Operating earnings (millions of US dollars)¹

Operating earnings¹

Share of traffic (%)

Average sales per restaurant (thousands of US dollars)

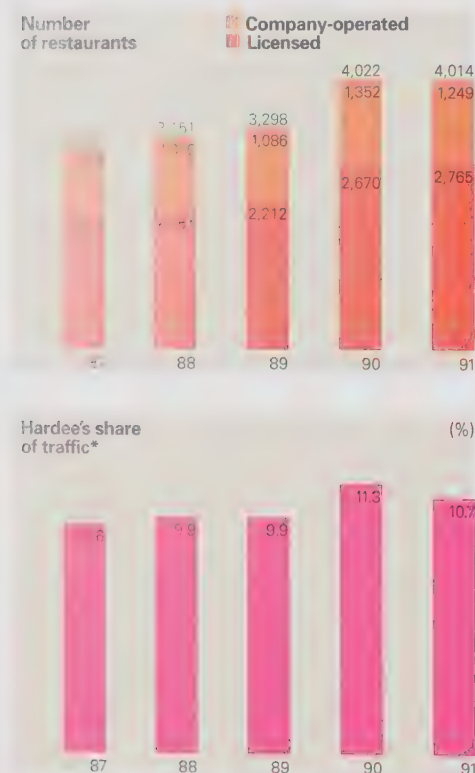
Capital expenditures

¹The real estate sale and leaseback transactions completed in 1988 significantly reduced the operating earnings reported thereafter.

The principal short term objective is to manage Hardee's through a steady earnings recovery.

By the end of 1992, fried chicken will be available in about half the company-operated restaurants and licensees are rapidly introducing it as well.

Overhead expenditures are back to 1989 levels even though the system now includes 700 more restaurants.



* Quick service restaurant sandwich category. Source: CREST. Includes Roy Rogers for 1990 and 1991.

The cyclical downturn in the American economy, the Gulf War, problems with integrating the Roy Rogers system and weaknesses within our own restaurant operations led Hardee's Food Systems to a disappointing year in 1991. Operating earnings declined from \$69.2 million to \$41.6 million. While system-wide sales at Hardee's 4,014 restaurants reached a record \$5.0 billion, average unit volumes (AUVs) of US \$938,000 represented a decline of US \$2,000. Needless to say, we are not satisfied with this performance and have dedicated ourselves, at the management and restaurant levels, to turning those results around in 1992.

The drop in AUVs reflects the impact of the difficult market conditions, but also the continuing problems with integrating Roy Rogers restaurants into the Hardee's system. In retrospect, we underestimated the attachment of customers to the Roy Rogers trademark, especially its appeal to families at lunch and dinner. To address this situation, both the Roy Rogers name and menu are being reemphasized in markets that were converted to the Hardee's trademark.

While we have had some problems, there have also been some very positive developments related to the Roy Rogers acquisition. In particular, we are having good success in transferring the fried chicken expertise of Roy Rogers to the Hardee's system. Our focus is on the dinner segment and the experience to date is encouraging. By the end of 1992, we will feature fried chicken in about half of our restaurants. Our licensees share our enthusiasm and are rapidly introducing fried chicken in their restaurants as well.

In 1991, Hardee's was again faced with competitive discounting in a recessionary cli-

mate. Today's consumers are seeking value and they are being offered a wider range of choices both from within and from outside the fast food industry. We expect that this trend towards diversification and discounting will continue in what is already a maturing and crowded industry. The challenge in this changing environment is to stay on top of trends by introducing relevant new signature products while offering the highest quality, the best service and good value right across the menu.

There is enduring strength in the Hardee's trademark that has been built over the company's 30 year history. We have grown from a single neighbourhood hamburger outlet to one of the largest restaurant systems in the world. While that standing may be impressive, we are still very much a neighbourhood restaurant. Eighty percent of our customers live within 2½ miles of their Hardee's restaurant. We recognize the importance of these customers and we are drawing on our strength in the community with our new positioning statement, *The best restaurant in the neighbourhood*.

Our restaurants start each day on a very strong note. Breakfast revenues, as a percentage of total sales, continue to lead the industry. Hardee's success at breakfast flows from the quality, diversity and value of our menu. The challenge is to replicate that success throughout the day and several initiatives are underway. We led the industry trend to lighter, more nutritious fare several years ago with the introduction of our grilled chicken sandwich. We are testing several other menu items, from pasta to fish, that rate high in taste and nutritional value, while being low in fat and cholesterol. Just as Hardee's signature breakfast menu has driven our market leadership in the morning,

Steve Ehrhardt worked through high school as a crew member in a Hardee's restaurant. He currently manages the restaurant on Butler Hill Road, St. Louis, Missouri. In 1991, Steve's restaurant was named "The Best Restaurant in the Nation" by Hardee's



"The first thing I did was get my management team behind the program, then we had crew meetings to open it up to everyone. We found that we needed to pay more attention to customers and put more emphasis on training. Some crew members weren't trained properly, others had developed bad habits. The crew has to really believe that the customer is number one."

"As a restaurant manager, you need to develop a sense of ownership, especially when it comes to greeting customers. We have a hostess or host and that person's responsibility is to make sure that the customer is satisfied, whatever it takes to make the customer happy."

"We stress teamwork. Ultimately, we all have the same job and that's to satisfy the customer. We started an outside cashier and moved drive-thru times from 30 seconds, down to zero. The goal is to get the food to the customer before the customer gets to the cashier. That's what we call zero service time - it's very fast."

we are looking for unique and relevant new lunch and dinner offerings.

Hardee's achieves remarkable efficiencies in supply management through Fast Food Merchandisers. FFM not only supplies most of the packaging and food products for Hardee's restaurants, but also turns surplus foods into value-added products which are distributed under its Gol-Pak private label. Some of these products are sold in American supermarkets and others are exported to Europe, the Middle East and Asia. Looking ahead, we believe that FFM can play an even larger role in improving earnings and cash flow. In particular, we are reviewing all of the operations in our restaurant kitchens, identifying procedures that could be performed with better efficiency upstream.

A highly valued feature of the Hardee's system is our experienced group of licensees and restaurant managers. Most of these people have been running very successful restaurants for many years and last year was no exception. Because they are close to the customers, new product ideas and operations improvements often come from the licensee community. The challenge for us, at

the management level, is to learn why these restaurants are successful and share that knowledge with other licensees and restaurant managers across the system.

One of my early initiatives after becoming CEO was the formation of the President's Advisory Council, with licensee representatives from each of the regions within our system. Our licensees have been extremely supportive and positive through challenging economic times and through the transitional period of senior management. On their advice, we are implementing a wider range of training programs and better incentives for our managers. We are putting renewed emphasis on customer service and encouraging all of our employees to interact more with customers. If we are to become the best restaurant in every neighbourhood, we must treat our customers as friends and family members. Outstanding customer service and hospitality can and will become Hardee's competitive advantage.

While moving ahead on menu development, marketing and service levels, we have been working hard to cut our controllable costs. Corporate staffing has been dramatically

reduced and we continue to improve our effectiveness and trim all unnecessary expenses from the system. Overhead expenditures are back to 1989 levels even though the system now includes approximately 700 more restaurants.

Our principal short term objective is to manage Hardee's through a steady earnings recovery by executing the basics in outstanding fashion. To be the best restaurant in the neighbourhood means being the best in the business, with the best menu, the best service and the best value for the customer's dollar. When we get the fundamentals right, increased sales and market share will follow, restoring earnings growth to Hardee's and building value for Imasco shareholders.

Robert F. Autry

Robert F. Autry
President and Chief Executive Officer

Highlights of operations

Millions of dollars, except as noted

| | 1991 | 1990 | Twelve months ended December 31 | | |
|---|---------|---------|---------------------------------|---------|---------|
| | | | 1989 | 1988 | 1987 |
| System-wide sales | 2,934.1 | 2,843.6 | 2,597.7 | 2,355.6 | 2,073.4 |
| Revenues | 161.6 | 148.1 | 136.2 | 114.9 | 95.7 |
| Operating earnings | 87.9 | 80.5 | 70.6 | 57.1 | 51.3 |
| Operating margins (%) | 54.4 | 54.4 | 51.8 | 49.7 | 53.6 |
| Average sales per store | 4.4 | 4.4 | 4.1 | 4.2 | 4.1 |
| Average sales per square foot (dollars) | 786 | 778 | 736 | 728 | 700 |
| Number of stores | 671 | 645 | 633 | 613 | 586 |
| Capital expenditures | 30.9 | 33.7 | 27.3 | 33.5 | 31.4 |

Prescriptions led all other categories in 1991 with a 12% increase in comparable store sales.

Comparable store sales increased 5% and the company's share of the Canadian drug store market grew to approximately 32%.

There are now seven 24 hour stores and 50 stores open until midnight. Pharmaprix is growing rapidly in Québec.

Corporate brand products accounted for 7% of system-wide sales.

The Shoppers Drug Mart/Pharmaprix positioning statement, *Everything you want in a drugstore*, rests upon five fundamental customer benefits: service, selection, savings, convenience and trust. Our constant aim is to strengthen the appeal of the Shoppers Drug Mart and Pharmaprix trademarks to Canadian consumers. In 1991, we remained focused on the customer and called on our trademark strength, recording solid gains in sales and operating earnings in a very tough market.

All Canadian retailers faced serious challenges in 1991. Retail sales began to weaken in the latter half of 1990 and, as the effects of the weak economy became more widespread in 1991, consumer confidence declined steadily. The implementation of the federal government's GST in January added to the sector's woes. Customer traffic deteriorated further at a time when retailers were incurring the costs involved in changing over to the GST.

Across Canada, aggressive price competition grew out of this environment but this was not enough to satisfy the millions of consumers who began shopping in the United States. Traffic in Canadian shopping malls declined accordingly, affecting all tenants, not just those that sell products for which the Canada/U.S. price differentials are the greatest.

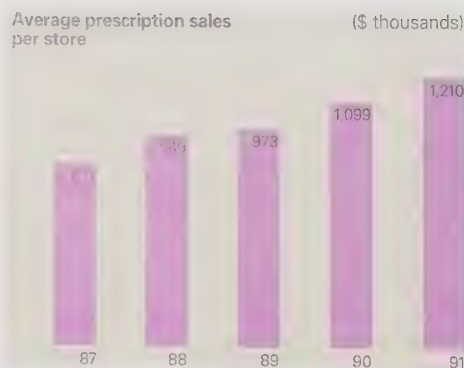
Shoppers Drug Mart/Pharmaprix responded to these challenging conditions with aggressive marketing and advertising to protect market share and promote customer traffic. Corporate overhead expenses were tightly controlled and, in a number of cases, we were able to negotiate lower merchandise costs from suppliers and pass the savings on to customers.

System-wide sales approached the \$3 billion threshold for the first time in company history and we began celebrating this milestone last spring with our "Thanks a Billion" promotion. Across Canada, consumers were offered attractive savings on brand name products and the chance to win luxurious seven-day cruises. Employees were also awarded prizes for demonstrating C.A.R.E. (Customers Are Really Everything) in their work.

Later in the year, we modified our weekly flyer to incorporate Shoppers Best Buys. This is a continuing program which offers savings to customers on hundreds of everyday items and even lower prices on weekly advertised specials. The Shoppers Drug Mart and Pharmaprix weekly advertising flyer, which now reaches some eight million Canadian homes, enjoys the largest circulation of any retail bulletin in the country.

The results were very gratifying. Comparable store sales were up 5% and Shoppers Drug Mart/Pharmaprix continued to increase its industry-leading share of drug store sales, now 32%. Over the year, we recorded almost 250 million customer transactions at our 671 stores across the country.

We added 26 stores to the system in 1991 and expect to add a similar number in 1992. Pharmaprix is growing rapidly in Québec where we have 62 stores, most of which are in the greater Montréal area. There are now seven 24-hour stores in Eastern Canada and 50 stores open until midnight in major urban and suburban centres. With the graying of society and people living longer, our 19 Home Health Care Centres will grow in number and importance. Shoppers Drug Mart intends to lead this segment of the industry as well.



While studying for her pharmacy degree, Bobbi Reinholdt joined Shoppers Drug Mart on a part-time basis in 1983. She took on her own Shoppers Drug Mart store in 1989. It is on Baseline Road in suburban Ottawa and is open 24 hours a day



"I love being a pharmacist, but there is much more to it. My staff is about 75 people so it's definitely not nine to five. I work some mornings, some afternoons and some nights, just to touch base with every employee. Communication is really important. I share results with staff, it's great motivation to be growing."

"In 1989, our annual sales were about \$5.5 million and we are now over \$9 million. A big jump occurred when we went 24 hours in 1990. It was a definite challenge but the right thing to do. A lot of people thanked us and we got support from the media and hospitals."

"Four times a year, I give staff appreciation awards. The winners are nominated by other staff members for going above their job descriptions. You have to have a good outlook. It filters out to the staff and then out to the customers. You can sense it when you enter a store. If employees aren't happy, it definitely affects customer service."

Since Shoppers Drug Mart and Pharmaprix stores are owned by the pharmacists, our system harnesses the energy of nearly 700 entrepreneurs. Their association with Shoppers Drug Mart provides many benefits including national advertising programs, lower product costs and a host of services supplied by regional and corporate offices.

The heart of our business is, and always will be, pharmacy. Prescriptions led all other categories last year with a 12% increase in comparable store sales. Our pharmacists are integral members of the health team. We have an established reputation as a leading educator on health issues as well as a supporter of hospital fund raising. In 1991, Shoppers Drug Mart was associated with the Canadian Breast Cancer Foundation in a national campaign. Beginning in November, we distributed 600,000 cards that instruct women on self-examination for breast cancer. Early detection is the key to a 75% survival rate for a disease that strikes one out of nine women in North America.

Our stores offer one-stop shopping. For example, we now have some 100 retail postal outlets within our stores across Canada, 75

of which opened last year, Canada Trust banking machines have been installed in selected locations and 41 stores incorporate our Food Basket concept, sections of food items for additional customer convenience. We are one of Canada's largest cosmetics retailers and we are the country's second largest seller of general interest magazines and paperbacks. We have also launched Shoppers Drug Mart Express Photo, a one-hour photo service, in nine stores and intend to expand the concept in 1992.

A growing segment of the business is our private labels: Shoppers Drug Mart, Life Brand and Rialto. These products now account for about 7% of system-wide sales and are exclusive to our stores which, in itself, builds customer traffic. They offer exceptional value to customers and attractive margins to the company. Life Brand is our major private label under which we sell a host of products ranging from diapers to shampoo. The level of consumer confidence in Life Brand has been so high that in 1992 our Shoppers Drug Mart label line will be converted to Life Brand. The Rialto Naturals line has developed a niche with consumers who prefer environmentally friendly health

and beauty aids. Last Christmas, we offered Rialto Naturals in customized gift baskets and these proved extremely popular.

In 1992, Shoppers Drug Mart/Pharmaprix is initiating a course in cosmetics to ensure that customers are dealing with the best qualified people. We are also strengthening our in-house training programs so that the 24,000 employees across the country can provide the ultimate in customer service. Customer satisfaction is the number one issue in today's competitive market and we want to exceed our customers' service expectations in every store, every time.

The strength of Shoppers Drug Mart and Pharmaprix resides within its people, positioning, productivity and technology. This strength enables us to respond in an exceptional way to the needs of our customers and the competitive challenges of the marketplace.


David Bloom
Chairman and Chief Executive Officer

Highlights of operations

Millions of dollars, except as noted

| | 1991 | 1990 | Twelve months ended December 31 | | |
|--|-------|-------|---------------------------------|-------|-------|
| | | | 1989 | 1988 | 1987 |
| Révenues | 305.1 | 314.7 | 286.1 | 256.6 | 235.3 |
| Operating earnings (loss) | (2.0) | 8.6 | 8.3 | 7.5 | 6.7 |
| Operating margins (%) | (0.6) | 2.7 | 2.9 | 2.9 | 2.9 |
| Average sales per store (thousands of dollars) | 580 | 592 | 543 | 489 | 461 |
| Average sales per square foot (dollars) | 811 | 834 | 790 | 718 | 675 |
| Number of stores | 526 | 533 | 531 | 525 | 524 |
| Capital expenditures | 4.8 | 6.0 | 5.3 | 4.9 | 6.9 |

For The UCS Group, 1991 was a very difficult year, characterized by events and circumstances which challenged almost every element of our established business plan. Sales were disappointing at \$305.1 million and an operating loss of \$2.0 million was incurred compared with operating earnings of \$8.6 million in 1990.

Tobacco taxation reached untenable proportions after the federal and provincial budgets in late winter and early spring. The enormous tax increases did not so much discourage Canadians from smoking as encourage them to purchase through other channels. For some, the solution was to shop in the U.S., while others turned to the growing illicit market for smuggled and stolen cigarettes.

An already weak retail environment was made weaker still with the implementation of the GST in January. The result was a significant decline in Canadian retailing generally and a particularly costly drop in our mall location sales. Travel and tourism were also depressed throughout the year and this led to lower than expected sales volumes in our hotel, airport and tax and duty free outlets. The one bright spot was the performance of our Smokeshops inside 156 Woolco and Woolworth stores. Eleven of these now feature book departments. This division did well to hold on to its market share in such an eventful year.

Looking ahead, 1992 will be a challenging, demanding and exciting year.

Challenging, because tobacco will continue to be our principal product category. We have aggressive plans to maintain our market leadership in spite of the burden of taxation, changing distribution characteristics and unparalleled government involvement.

We will be much more competitive, more promotional and more responsive to our customers.

Demanding, because the customer is more than ever focused on value, service and convenience. We will have to excel in all these areas with the right people, the right locations and the right technologies. Only the best Canadian retailers will prosper. There will likely be even more external influence during this last decade of the 20th century and more government legislation, both federal and provincial. Our new training programs emphasize acting on behalf of the company for the benefit of the customers. Businesses with multiple locations, such as ours, must encourage employees to take initiatives that increase productivity and improve customer service.

Exciting, because we will be focusing on airports, on tax and duty free stores and on new merchandising and marketing directions to put The UCS Group back on its historical growth path. As the competition intensifies, we will be looking to diversify our product lines and achieve further internal efficiencies.

The UCS Group celebrates 90 years of continued operation in Canada in 1992. In addition to a long history, we have dedicated employees throughout the system. These are valued assets for a management group that has the energy, the expertise and the desire to succeed and once again perform to expectations.

Norm Latowsky

Norm Latowsky
President and Chief Executive Officer



"We cater mainly to European travellers and they are very demanding. I like people and I do speak languages – English, German, Italian and French. Once you speak to customers in their language, they buy more. I try to find staff with languages, it's a must."

"There has been virtually no staff turnover since we opened a year ago. I have always had good staff and often lend them to other UCS stores. You know when somebody is going to work out. It's their personality. I like to have joyous staff, friendly staff. That makes the whole difference because if you're not friendly, the customer will just turn around and go."

"I float between my three stores during high traffic periods – we work as a team. I show my staff the right approach and what counts, talking to the customer. It may take 15 minutes to complete a sale but it's important that you cater to every single customer that comes in, most important."

Imasco's Board of Directors has ultimate responsibility for the management of Imasco, including the oversight of its operating companies, investments and ownership interest in CT Financial Services Inc.

The Imasco Board of Directors discharges its responsibilities directly and through its committees. At regularly scheduled meetings, the Board receives and discusses reports on Imasco's operating companies, overall financial position, investments and CT Financial Services. In addition, developments and issues of current relevance are reviewed and reports of Board committees are received and considered. The presence on Imasco's Board of senior officers and operating company leaders recognizes their roles and responsibilities and facilitates their dialogue with non-executive directors.

There were nine meetings of the Imasco Board of Directors in 1991.

The management of CT Financial Services and its subsidiaries is the ultimate responsibility of their respective boards of directors. Five senior executives of Imasco are directors of CT Financial Services. Purdy Crawford, chairman and chief executive officer of Imasco, is the non-executive chairman of CT Financial Services.

Following is a brief description of the mandate of each Board committee, the composition of these committees and the number of meetings held by each during the year. The membership of the committees reflects the importance Imasco places on the role of its non-executive directors.

Executive Committee

Between meetings of the Board of Directors, the Executive Committee may exercise the powers vested in the Board, with certain exceptions. The mandate of the Executive Committee includes the following.

- Review operating results;
- Approve annual and long range plans for submission to the Board of Directors;
- Review significant issues facing Imasco and proposals or plans relating thereto;
- Review proposals involving important changes in strategic plans or major acquisitions and divestitures;
- Consider and act upon reports of the Management Resources and Compensation

Committee with respect to succession planning and human resource development.

The Executive Committee met four times in 1991.

Chairman: Purdy Crawford
Members: Nan-Bowles de Gaspé Beaubien, William R. Bennett, Murray B. Koffler, Jack A. Laughery, Brian M. Levitt, Russell E. Palmer, Paul Paré, Angela C. Peters, Bernard A. Roy

Management Resources and Compensation Committee

This committee advises and consults with the Chairman and Chief Executive Officer and makes recommendations to the Board on the following matters.

- Appointment of officers of Imasco including, where appropriate, operating company officers;
- Succession and development plans for executive management within Imasco and, where appropriate, operating company officers;
- Introduction of, or major revisions to, benefits, pension/retirement income plans and incentive programs;
- Human resource strategies developed to respond to business needs and legislative changes;
- Annual review of compensation and benefits of executive directors and fees payable to non-executive directors.

The Management Resources and Compensation Committee met six times last year.

Chairman: Murray B. Koffler
Members: Nan-Bowles de Gaspé Beaubien, Jack A. Laughery, Russell E. Palmer, Paul Paré, Angela C. Peters.

Audit Committee

The Audit Committee meets at least four times a year and reports to the Board following each meeting. The reports include recommendations on the following subjects.

- Scope of the annual audit of Imasco as proposed by the external auditors and management, including the nature and extent of assistance to be provided by internal auditors;

- Audit letters from the external auditors;
- Annual and quarterly financial statements;
- Annual Report including Management's Discussion and Analysis;
- Performance of external auditors for the preceding fiscal year and their reappointment if deemed appropriate;
- Fees charged by the external auditors;
- Reports of the internal auditors;
- Internal auditors' audit plan for the ensuing year, budget, organization, activities and performance;
- Adequacy of internal accounting control procedures and systems;
- Compliance with Imasco's Code of Business Conduct and Conflicts of Interest guidelines.

The Audit Committee met four times in 1991.

Chairman: William R. Bennett
Members: Murray B. Koffler, Bernard A. Roy.

Nominating Committee

The Nominating Committee meets as required to advise on the composition of the Board of Directors and the selection of candidates for election. Nominees are selected on the basis of personal qualities, experience and their potential to make a meaningful contribution to Imasco.

The Nominating Committee did not meet in 1991.

Chairman: Purdy Crawford
Members: Nan-Bowles de Gaspé Beaubien, Murray B. Koffler, Paul Paré.

1 2 3 4 5 6 7



David R. Bloom

Ottawa, Ontario. Director since 1983. Chairman and Chief Executive Officer, Shop Vac Inc. Chairman, Retail Council of Canada, Canadian Association of Chain Drug Stores. Director of CT Financial Services Inc., Mutual Life Insurance.

Russell E. Palmer

Wilmington, Pennsylvania. Director since 1988. Chairman and Chief Executive Officer, The Palmer Group. Chairman, Huntsman Institute for Global Competition and Leadership, The Wharton School, University of Pennsylvania. Director of Allied-Signal Inc., American Trust New York Corporation, Cantel Corporation, Federal Home Loan Mortgage Corporation, GTE Corporation, Safeguard Securities Inc., The May Department Stores Company, The Goodyear Tire & Rubber Company.

3 Jack A. Laughery

Rocky Mount, North Carolina. Director since 1981. Chairman, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of First Union National Bank Corporation, Charlotte, NC, North Carolina Department of Transportation, Carolina Telephone, Republican International Institute. Member of the Republican National Committee.

4 Robert F. Autry

Rocky Mount, North Carolina. Director since 1991. President and Chief Executive Officer, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of Centura Bank, Rocky Mount, NC, Boy Scouts of America, East Carolina Council, Rocky Mount Boys Club.

5 Paul Paré, O

Montréal, Québec. Director since 1964. Former Chairman and Chief Executive Officer of Imasco Limited. Director of Canadian Pacific Limited, Canadian Pacific Forest

Products Limited, IBM Canada Ltd., Liquid Carbonic Canada Ltd., Telemedia Inc., Timminco Limited. Member of the Morgan Stanley Advisory Board.

6 Nan-Bowles de Gaspé Beaubien

Westmount, Québec. Director since 1987. Vice-Chairperson and Director, Telemedia Corporation. Director of Telemedia Inc., Confederation Life Insurance Company, Canadian Association of Family Enterprise, Institute for Research on Public Policy, National Centre for Management Research and Development – Women in Management Program, Terry Fox Humanitarian Award Committee.

7 Torrance J. Wylie

Ottawa, Ontario. Director since 1990. Executive Vice-President, Imasco Limited. Director of CT Financial Services Inc., Council for Canadian Unity. Member of the Advisory Board, Faculty of Administration, University of Ottawa.



The Hon. William R. Bennett, P.C.
 Westbank, British Columbia. Director since 1987. Director of Canadian Pacific Limited, Products Limited, Prime Resources Group Inc., Teck Corporation, and other public companies.

Angela C. Peters
 Halifax, Nova Scotia. Director since 1987. Director of Capital Equipment, and other public companies. President of Capital Equipment Canada Inc.

Brian M. Levitt
 Toronto, Ontario. Director since 1987. President, Imasco Limited. Director of Financial Services Inc., First Bank, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Jean-Louis Mercier
 Montreal, Quebec. Director since 1987. President, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Murray B. Koffler
 Toronto, Ontario. Director since 1987. President, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Raymond E. Guyatt
 Toronto, Ontario. Director since 1987. President, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Purdy Crawford
 Toronto, Ontario. Director since 1987. President, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Bernard A. Roy
 Montreal, Quebec. Director since 1987. President, and other public companies. Member of the Advisory Board, Faculty of Management, McGill University.

Corporate citizenship

As Imasco has grown over the years, so too has it continued to enlarge its support for the community. Such activities are an implicit recognition that corporations form part of the communities in which they operate and that stronger communities result in stronger corporations.

Corporate donations

Imasco contributed \$100,000 in seed money to Imagine, an organization dedicated to fostering corporate and individual donations as well as volunteerism in Canada. To date, Imagine has signed up more than 300 Canadian companies committed to donating 1% of pre-tax earnings to charitable or non-profit organizations. Imasco meets that target and has been designated a *caring company* by Imagine.

In 1969, Imasco established a Corporate Donations Committee with members representing its corporate centre and wholly owned Canadian operating companies. The Board of Directors establishes an annual budget for the Committee which meets regularly to consider requests for assistance from across Canada. In 1991, the Committee contributed \$2.6 million to organizations involved in public welfare, aid to the disadvantaged, health, education, cultural, recreational and youth activities. Imperial Tobacco, Shoppers Drug Mart and The UCS Group are also active in helping smaller charities at the local level. In addition, Canada Trust and Hardee's maintain separate donations programs. In 1991, direct donations from these companies totalled more than \$3.4 million.

Montréal Job Creation Initiative

Imasco's major community project in recent years has been the Montréal Job Creation Initiative, a highly successful small business incubator. Imasco will have contributed almost \$8 million over a five-year period when the Initiative formally ends in March 1992. The project easily surpassed its goal of creating 1,000 new jobs over the period. By the end of 1991, nearly 1,400 jobs had been created and some 400 businesses had received professional advice in start-up or expansion. The cost efficiency of the program was second to none. An independent study of the Initiative conducted by SECOR, a Montréal-based management consulting group, confirmed that it cost approximately

\$6,000 to create a job with Montréal Job Creation Initiative assistance, whereas traditional job creation ran upwards of \$25,000 per job. In recognition of the project, Imasco received the prestigious Mercuriades award for community involvement from the Québec Chamber of Commerce in 1990.

To follow up on the Montréal Job Creation Initiative, Imasco is funding a series of six public conferences on entrepreneurship over the next three years.

Disabled students

Cases of individual need or merit are not overlooked. Through the Imasco Scholarship Fund for Disabled Students, established in 1981, qualifying disabled students are helped to pursue university level education. The fund's original endowment of \$100,000 has been increased to \$275,000 over the years. To date, a total of 148 scholarships have been awarded to 84 students.

Operating companies

Through du Maurier Arts Ltd., Imperial Tobacco has a historic commitment to funding the arts in Canada. Since its inception 20 years ago, du Maurier Arts Ltd. has donated over \$8.5 million to the performing and interpretive arts in Canada. In 1991 alone, over \$1 million was distributed to 98 cultural organizations across the country.

To celebrate Montréal's 350th anniversary in 1992, Imasco and du Maurier Arts Ltd. have combined forces to donate \$700,000 towards the restoration of the Monument-National theatre. The gift is the largest private sector contribution ever made to a theatre in Québec. The Monument-National was originally built to celebrate Montréal's 250th anniversary. It will re-open on June 24, 1993, one hundred years to the day from its inception. It is now owned by the National Theatre School of Canada and will feature extensive teaching facilities and two theatres, one of which will be named the du Maurier Ltd. Theatre of the Monument-National.

Local Shoppers Drug Mart stores sponsor over 1,000 community youth sports teams across the country and, in many cases, the store owners participate as coaches. Shoppers Drug Mart also supports a national school program against drug abuse, the Canadian Offensive for Drug Education, for

Canada Trust became a co-sponsor of the Shoppers Drug Mart Toronto Marathon in 1991. Carole Rouillard, winner of the women's marathon, is congratulated by Peter Maurice, president and chief executive officer of Canada Trust (l.) and Herb Binder, president and chief operating officer of Shoppers Drug Mart (r.).

which it has received recognition from the Canadian Association of Chiefs of Police.

Shoppers Drug Mart's involvement with health issues ranges from publishing information on health care to cooperative efforts with hospitals on programs such as testing for cancer of the colon. In 1991, Shoppers Drug Mart/Pharmaprix launched a major initiative in support of the Canadian Breast Cancer Foundation. As with colon cancer, early detection is the key to successful treatment and 600,000 cards were distributed that instruct women on self-examination for breast cancer.

Hardee's was the major donor to the Hardee's Heart Centre which opened in 1990 at Nash General Hospital in Rocky Mount, North Carolina. Hardee's also funded the Hardee's Children's Bone Marrow Transplant Program at Duke University Medical Centre.

In 1990, Hardee's and the National Child Care Association established the National Child Care Professional Recognition Program to honour and provide cash awards to the top day-care professionals in the United States. Another concern of Hardee's is the advancement of the black community. With Big Brothers, it co-sponsors the 100 Black Men of Atlanta awards, as well as the Black College Beauty Pageant. Hardee's has been presented with the National Black College Alumni Association Award for Excellence for its continuing and substantial efforts in support of black colleges and universities.

Sponsorships

Operating companies are also very active in sponsorship activities. Through sponsorships, Imasco's well known corporate trademarks have become associated with major



Happy birthday Montréal! Purdy Crawford announces a \$700,000 donation towards the restoration of the historic Monument-National, home of the National Theatre School of Canada. Seated from left to right are Simon Brault, Associate Administrative Director at Les Arts du Maurier Ltd., Monique Mercure, Director General of the National Theatre School of Canada, Liza Frulla-Hébert, Québec Minister of Cultural Affairs, Perrin Beatty, Federal Minister of Communications and Marie Lambert, member of the du Maurier Arts Ltd. Council.



community programs and events across North America.

Player's Ltd., du Maurier Ltd. and Matinée Ltd. sponsor professional world class tennis, golf, motor-sports and equestrian events in Canada. In 1990, Shoppers Drug Mart became the lead sponsor of the Toronto Marathon and Canada Trust was involved as a co-sponsor in 1991. Part of the proceeds from the marathon are donated to Toronto's Hospital for Sick Children. Hardee's sponsors the Hardee's Classic, a PGA tour event in the United States. One of the charities that

benefitted from the Hardee's Classic was the Special Olympic Games, held in the summer of 1991 in the twin cities of Minneapolis-St. Paul. Hardee's has been a leading sponsor of the Special Olympics for several years.

The environment

Preserving the quality of the environment is an important concern of Imasco and each of its operating companies. Imperial Tobacco is helping to finance a Québec-wide solid waste reduction program and Canada Trust has established the non-profit Friends of the Environment Foundation to provide financial support for worthy environmental initiatives. Imperial Tobacco, Shoppers Drug Mart and Hardee's are concentrating on improving materials in packaging and products. Consumer demand for environmentally friendly options is steadily increasing and Imasco's operating companies are continually adapting their products and services to help provide those options.

Employees

In 1987, the Board of Directors adopted a Code of Business Conduct and a Conflict of

Interest Policy. Taken together, they provide practical guidelines for directors, officers and employees of Imasco and its operating companies. The objective is to uphold the high standards of conduct for which Imasco has

been ranked in the annual survey prepared by *The Financial Post*, Imperial Tobacco, Shoppers Drug Mart and Canada Trust consistently rank among the 100 best companies to work for in Canada. Every effort is made to ensure that salary and benefit programs are fair and competitive. In 1990, a day-care centre for the children of Imperial Tobacco employees was opened in a former home adjacent to the company's Montréal headquarters.

Employees are encouraged to join trade and professional associations that improve their knowledge and skills. Continuing education is promoted through company-paid courses and extensive in-house training opportunities are provided by each company to help employees sharpen their skills and advance their careers.

For the past 16 years, Hardee's has presented scholarships that help defray the cost of college for restaurant employees. Since its inception, Hardee's has awarded more than US \$500,000 in tuition funds, scholarships to more than 1,500 employees. In 1991, 70 scholarships were awarded, valued at more than \$400,000.

Imasco also supports employees that become involved with their communities. Volunteerism is a vital aspect of community life in both Canada and the United States. The commitment to volunteerism begins at the top and all of the leaders of Imasco and of its operating companies are actively involved in fundraising for a variety of charitable causes.

Support for democracy in Canada

Imasco makes donations to political parties and other organizations that support the principles of a strong private business sector and democratic government.

In 1991, the Board of Directors approved contributions of \$120,500 to federal and provincial political parties. Imasco has never sought, expected or received any consideration for political donations other than the satisfaction of having contributed to the proper functioning of the democratic political process.

Imasco Limited
Unaudited Statement of Earnings
Assuming Consolidation
of Imasco Enterprises
For the years ended December 31

In the consolidated financial statements which commence on page 27, the Corporation accounts for its investment in Imasco Enterprises by the equity method. The Corporation's equity in the net earnings of Imasco Enterprises is shown as a single amount in operating earnings.

The accompanying unaudited statement of earnings has been prepared on a basis which assumes that the accounts of Imasco Enterprises, including CT Financial Services, are consolidated with those of the Corporation. Under this approach, the equity in net earnings of Imasco Enterprises is eliminated and the various components of the net earnings of Imasco Enterprises are added to the respective elements of the Corporation's statement of earnings. Earnings from operations include the results of the principal active Imasco Enterprises operations, namely, CT Financial Services and Genstar Development Company. Amortization of goodwill arising from the original acquisition of the Corporation's operating companies and from significant acquisitions thereafter is reported separately. The other activities of Imasco Enterprises are in a winding down stage or are not significant and the pre-tax costs resulting therefrom are included under the caption "Other costs and administration". Minority interest comprises dividends on preference shares of CT Financial Services and its subsidiaries and the portion of earnings accruing to the approximately 2% minority interest that the Corporation does not own in CT Financial Services common shares. Net earnings and earnings per common share of the Corporation remain the same under both approaches.

| | 1991 | 1990 | 1989 |
|--|----------------|----------------|----------------|
| Millions of dollars, except earnings per common share | | | |
| Revenues | 9,870.2 | 9,646.5 | 8,479.9 |
| Tobacco sales and excise taxes | 1,912.5 | 1,744.5 | 1,489.4 |
| | <u>7,957.7</u> | <u>7,902.0</u> | <u>6,990.5</u> |
| Operating costs | 4,029.1 | 3,831.0 | 3,255.0 |
| Financial services interest expense | 3,049.0 | 3,187.1 | 2,790.4 |
| | <u>879.6</u> | <u>883.9</u> | <u>945.1</u> |
| Earnings from operations | 52.0 | 50.1 | 44.7 |
| Amortization of acquisition goodwill | 61.9 | 70.2 | 55.3 |
| Other costs and administration | 223.5 | 238.9 | 224.1 |
| Interest expense | | | |
| Earnings before income taxes and minority interest | 542.2 | 524.7 | 621.0 |
| Provision for income taxes | 180.5 | 181.4 | 204.4 |
| Dividends on preference shares of subsidiary companies and minority interest | 30.1 | 51.9 | 55.1 |
| | <u>331.6</u> | <u>291.4</u> | <u>361.5</u> |
| Earnings from continuing operations | — | 3.7 | 4.6 |
| Discontinued operations | | | |
| Net earnings | <u>331.6</u> | <u>295.1</u> | <u>366.1</u> |
| Net earnings attributed to | | | |
| Preference shares | 27.0 | 27.0 | 24.3 |
| Common shares | 304.6 | 268.1 | 341.8 |
| | <u>331.6</u> | <u>295.1</u> | <u>366.1</u> |
| Earnings per common share | | | |
| Earnings from continuing operations | \$2.56 | \$2.22 | \$2.83 |
| Net earnings | \$2.56 | \$2.25 | \$2.87 |
| Earnings from operations by company | | | |
| Imperial Tobacco | 397.0 | 367.1 | 334.0 |
| CT Financial Services ¹ | 320.2 | 318.2 | 357.2 |
| Hardee's Food Systems | 46.0 | 72.6 | 119.4 |
| Shoppers Drug Mart | 88.9 | 81.5 | 71.6 |
| Genstar Development Company | 29.5 | 35.9 | 54.6 |
| The UCS Group | (2.0) | 8.6 | 8.3 |
| | <u>879.6</u> | <u>883.9</u> | <u>945.1</u> |

¹ Represents CT Financial Services' pre-tax earnings.

Imasco Limited
Unaudited Balance Sheet
Assuming Consolidation
of Imasco Enterprises
December 31

The accompanying balance sheet is prepared on a basis which assumes that the accounts of Imasco Enterprises are consolidated with those of the Corporation. The Corporation's equity basis investment in Imasco Enterprises is eliminated and the underlying assets and liabilities are added to the respective accounts of the Corporation. Due to the different nature of CT Financial Services' assets and liabilities, these are presented separately under the "Financial services" heading. The shareholders' equity of the Corporation remains the same under both approaches.

| | 1991 | 1990 | 1989 |
|---|---------------------|-----------------|-----------------|
| | Millions of dollars | | |
| Assets | | | |
| Current assets | | | |
| Cash and short term investments | 168.6 | 168.6 | 390.0 |
| Accounts receivable and other | 327.1 | 327.1 | 482.7 |
| Inventories | 710.8 | 710.8 | 960.4 |
| | 1,095.4 | 1,206.5 | 1,833.1 |
| Other assets | | | |
| Investments and receivables | 323.9 | 323.9 | 279.9 |
| Deferred charges and other | 29.7 | 29.7 | 27.6 |
| Capital assets | 1,149.1 | 1,149.1 | 935.1 |
| Goodwill | 244.1 | 244.1 | 199.4 |
| | 1,636.0 | 1,746.8 | 1,442.0 |
| | 2,731.4 | 2,953.3 | 3,275.1 |
| Financial services | | | |
| Cash and short term notes | 2,758.3 | 2,758.3 | 2,864.1 |
| Securities | 5,831.0 | 5,831.0 | 4,775.6 |
| Loans | 25,518.4 | 25,518.4 | 24,201.0 |
| Real estate investment properties | 666.5 | 666.5 | 571.3 |
| Capital assets and other | 313.2 | 313.2 | 254.0 |
| Goodwill | 1,526.0 | 1,526.0 | 1,571.4 |
| | 43,666.8 | 36,613.4 | 34,237.4 |
| Total assets | 46,398.2 | 39,566.7 | 37,512.5 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities | | | |
| Bank and other short term loans | 64.7 | 64.7 | 205.3 |
| Accounts payable and other | 606.5 | 606.5 | 739.9 |
| Income, excise and other taxes | 95.6 | 95.6 | 63.0 |
| | 810.9 | 766.8 | 1,008.2 |
| Other liabilities | | | |
| Long term debt | 2,387.4 | 2,387.4 | 2,187.8 |
| Deferred income taxes | 55.7 | 55.7 | 78.3 |
| | 2,112.5 | 2,443.1 | 2,266.1 |
| Financial services | | | |
| Deposits | 32,475.2 | 32,475.2 | 30,403.0 |
| Other borrowings | 630.4 | 630.4 | 394.4 |
| Deferred income taxes and other | 87.3 | 87.3 | 130.7 |
| Preference shares of subsidiary companies | 333.6 | 333.6 | 586.8 |
| Minority interest | 30.5 | 30.5 | 27.4 |
| | 40,545.1 | 33,557.0 | 31,542.3 |
| Deferred credits | 74.5 | 79.9 | 85.5 |
| Shareholders' equity | | | |
| Capital stock | 1,155.6 | 1,155.6 | 1,155.5 |
| Unrealized loss on foreign currency translation | (51.2) | (51.2) | (50.8) |
| Retained earnings | 1,615.5 | 1,615.5 | 1,505.7 |
| | 2,855.2 | 2,719.9 | 2,610.4 |
| | 46,398.2 | 39,566.7 | 37,512.5 |

The following comments and analyses, appearing on pages 22 to 25, 29, 31 and 33, are intended to be read in conjunction with the consolidated financial statements of the Corporation.

Results of operations by operating company

Imasco Limited's results include the operations of the following companies: Imperial Tobacco, Imasco Enterprises/CT Financial Services, Hardee's Food Systems, Shoppers Drug Mart and The UCS Group. The revenues and operating earnings of each operating company are listed in Note 18 on page 43.

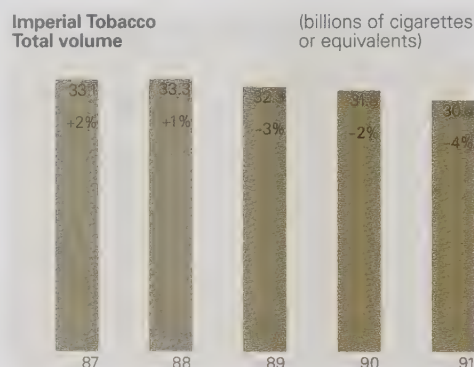
Economic conditions in Canada and the United States were poor throughout 1991 and recovery is expected to be slow. Interest rates in Canada fell throughout the year with the most significant decrease experienced during the first half. However, the Bank of Canada maintained high interest rate spreads over rates in the United States. This strategy succeeded in controlling the rate of inflation, but contributed to a strong Canadian dollar which adversely affected exports and increased the unemployment rate. High unemployment, low wage settlements and high consumer debt resulted in low consumer confidence and reduced spending. The Corporation's retail companies also suffered from the introduction of the Goods and Services Tax (GST) which, together with the strong Canadian dollar and higher tobacco taxes, contributed to unprecedented levels of cross-border shopping and a related significant decline in domestic sales of tobacco products. In the financial services sector, the poor economic conditions resulted in increased investment loss provisions. Despite these factors, increased operating earnings in 1991 were reported by Imperial Tobacco, CT Financial Services and Shoppers Drug Mart. In the United States, weak economic conditions also led to low consumer confidence and reduced discretionary spending. This added to the difficulties at Hardee's.

Imperial Tobacco

During 1991, gross revenues, net revenues and operating earnings continued to increase. As in previous years, gross revenues rose due to tax and price increases. The most significant issue impacting 1991 operations was the high level of tax increases by

federal and provincial governments. In the federal budget of February 1991, tobacco taxes were increased \$0.75 per package of 25 cigarettes. In addition, most provinces increased their own tobacco taxes. The resulting very high consumer cost has had a negative impact on domestic sales. The chart on page 6 illustrates domestic shipments of manufactured cigarettes over the last five years for Imperial Tobacco and the Canadian industry. In 1991, Imperial Tobacco's share of this market increased from 60.0% to 62.0% principally in the two largest brand families – Player's and du Maurier.

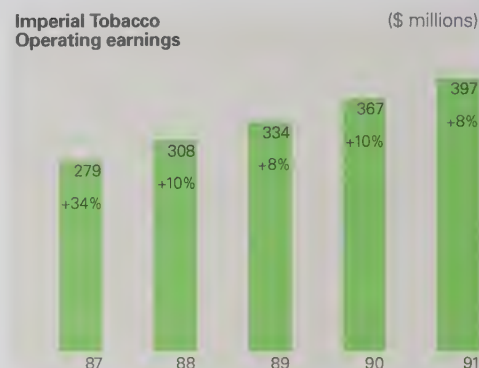
The high price of domestic manufactured cigarettes has resulted in consumers seeking lower-priced alternatives. Sharp increases in demand have been experienced in the fine cut, export and duty free markets and these have partially offset the decline in domestic shipments of manufactured cigarettes. Including these markets, Imperial Tobacco's 1991 total volume declined less than 4%.



In February 1992, the federal government implemented an export tax on Canadian tobacco products. The tax, which amounts to \$1.00 per package of 25 cigarettes, is intended to discourage cross-border shopping and curtail tobacco smuggling by reducing the tax differential on Canadian products distributed through domestic and export markets. This will have a negative effect on export sales volumes in 1992, though to what degree is difficult to predict. Imperial Tobacco intends to protect its interests in legitimate export markets and, ultimately, this could involve transferring some production outside Canada.

Operating earnings increased in 1991 due primarily to increased prices and, to a limited extent, to productivity improvements.

Operating earnings, as a percentage of net revenues, increased slightly in 1991 to 38.2%.



The long-awaited Québec Superior Court judgment on the challenge to the 1989 Tobacco Products Control Act was rendered in July 1991, holding the Act unconstitutional and in contravention of the Canadian Charter of Rights and Freedoms. The Act prohibits, with some transitional provisions, Canadian advertising and promotion of tobacco products. The Act also governs the labelling and monitoring of these products. The government has appealed the decision and the hearing is scheduled for later this year. It is possible that the judgment from the Québec Court of Appeal will be appealed to the Supreme Court of Canada. At this time, it is too early to predict if, and in what form, tobacco advertising will return in Canada.

Looking forward, it seems likely that increased regulation will continue to challenge the Canadian tobacco industry and affect its profitability. Taxation has eroded sales volumes and this trend is expected to continue. Legislation at various levels of government restricts the distribution, sale and consumption of tobacco products. Health issues and societal pressures against smoking are additional challenges being faced. Imperial Tobacco has performed well in this environment due to its strong trademarks and adaptability to change. Imperial Tobacco's operating earnings, cash flow and market share are expected to grow in 1992, assuming no major initiatives are taken by the federal and provincial governments.

Imasco Enterprises/CT Financial Services

The Corporation's investment in Imasco Enterprises is accounted for by the equity method in the 1991 financial statements

because of the dissimilar nature of its business and operations. The Corporation's equity in the net earnings of Imasco Enterprises amounted to \$134.8 million in 1991 compared with \$101.6 million in 1990.

The revenues of Imasco Enterprises which are included in the consolidated system-wide sales of the Corporation, but not in its consolidated revenues, totalled \$4.4 billion in 1991, unchanged from 1990.

The principal asset of Imasco Enterprises is its 98% ownership interest in the common shares of CT Financial Services. The results of CT Financial Services reflect the May 1991 acquisition of 99% of the common shares of First Federal Savings and Loan Association of Rochester (First Federal) through a capital contribution and debt subscription of \$217.7 million. First Federal contributed \$18.7 million to CT Financial Services' net earnings in 1991 and had assets of \$6.2 billion at December 31, 1991.

During 1991, CT Financial Services' investment income decreased 1% to \$4.0 billion, fees increased 20% to \$296.4 million and net real estate sales commissions increased 19% to \$41.9 million.

Despite the weak economy and high investment loss provisions, CT Financial Services' net earnings attributed to common shareholders rose 4% to \$209.5 million. Expressed as an annualized return on average corporate assets, net earnings represented 56 cents per \$100 compared with 63 cents in 1990. Return on average common shareholders' equity, fully diluted, was 12.8% compared with 13.2% in 1990.



Total deposit growth in 1991 was \$5.1 billion or 16% compared to \$2.1 billion and 7% in

1990. The purchase of First Federal accounted for \$4.1 billion of this growth. Mortgage loans grew by 28% or \$5.4 billion, of which \$3.8 billion resulted from the inclusion of First Federal.

During 1991, interest rates in Canada and the United States dropped significantly, but due to CT Financial Services' practice of minimizing interest rate risk through its asset-liability matching policy, net investment income was not unduly affected by this decrease. On a taxable equivalent basis, consolidated net interest rate differential before provision for investment losses was 2.45% in 1991 compared with 2.47% in 1990. For the eight months subsequent to the acquisition, First Federal's interest rate differential rose due to declining interest rates in the United States and investment of the capital provided by CT Financial Services upon acquisition.

Due to poor economic conditions, investment loss provisions were high during 1991 with \$114.7 million charged to earnings compared with \$70.0 million in 1990. The 1991 provision for investment losses includes \$11.7 million from First Federal. Non-performing investments rose from \$189.2 million at the end of 1990 to \$582.6 million (of which \$221.5 million is attributable to the inclusion of First Federal) at December 31, 1991. This represented 1.4% of total investments and 31.9% of consolidated shareholders' equity compared with 0.5% and 11.1% respectively in 1990. Non-performing commercial mortgages were up from \$70.1 million in 1990 to \$230.6 million at the end of 1991. Non-performing investments of First Federal are primarily residential mortgages. Credit risk is managed through diversification, strict lending and investment criteria and limits on exposure to individual borrowers. CT Financial Services has no loans to businesses or governments of lesser developed countries.

A prudent level of allowance for investment losses is maintained through an analysis of historical losses and expectations for future losses based on current economic conditions and known potential credit risks. The allowance for investment losses amounted to \$196.8 million at December 31, 1991, including \$54.1 million for First Federal, which provided a coverage of losses experienced during the year of 3.4 times compared with an allowance of \$88.9 million and a

coverage of 2.0 times in 1990. The allowance account was charged with investment losses and write-offs of \$70.8 million and was credited with recoveries of \$10.6 million. The losses related primarily to credit cards, consumer and collateral loans as well as residential mortgages. This compares with a charge to the allowance account of \$55.9 million, primarily for credit card losses, and recoveries of \$10.8 million during 1990.

CT Financial Services' operating expenses in 1991 increased 19% over 1990. Most of the increase resulted from the net addition of 12 retail branches in Canada, up-front costs associated with growth in assets under administration, increased occupancy costs for new corporate premises and inclusion of First Federal. The largest component of operating expense is salaries and employee benefits and these represented 52% of the total compared with 51% in 1990. It is estimated that the GST increased operating costs in 1991 by \$11 million, or 1.3%.

The major liquidity requirement of a financial institution is to meet obligations to depositors. This requirement is met through the management of cash balances and a portfolio of money market investments which can easily be liquidated. Maintenance of certain liquidity ratios is required by various statutes and CT Financial Services' policy is to maintain liquid assets well in excess of these minimum statutory requirements. Approximately 75% or \$30 billion of deposit liabilities and borrowings existing at year end are payable within one year. Of these, \$18 billion are savings deposits payable after notice. During 1992, it is expected that deposit and earnings growth will provide sufficient cash flow to fund capital expenditures, payment of amounts due on borrowings and payment of dividends. Capital investments in 1992 in computer and other equipment and branch premises, excluding land and buildings, are projected to be \$71 million.

Federal legislation reforming the regulatory environment for banks, trust and loan companies, insurance companies and cooperative credit associations was passed in December 1991 and is expected to be proclaimed in 1992. Financial services reform will significantly expand the business powers of federally chartered trust and loan companies. The removal of current restraints on investments and on products and services

will improve the ability of CT Financial Services' regulated subsidiaries, Canada Trustco Mortgage Company (Canada Trustco) and The Canada Trust Company (Canada Trust) to conduct business and to compete with other financial institutions. Trust and loan companies will be permitted to engage generally in the business of providing financial services. Financial institutions will be permitted to diversify by acquiring institutions in other segments of the financial services industry. However, closely held institutions will not be permitted to own banks. Networking the company's own services with those of another institution will be permitted but networking of insurance products will be restricted and retailing of certain types of insurance through the branch network will be prohibited. Unlike Canada's chartered banks which have the federal government as their sole regulator, Canada Trustco and Canada Trust will be unable to take full advantage of the new federal reforms because of conflicting provincial laws. Efforts are underway to harmonize federal and provincial regulations though, to date, minimal progress has been made. The new legislation will require the Corporation to decrease its voting shareholding in Canada Trustco and Canada Trust from 98% to a maximum of 65% no later than five years from the date the Act comes into force.

Many regulations and guidelines pertaining to the new legislation have yet to be circulated and finalized. As a result, it is not possible to comment fully on the effect of the legislation on CT Financial Services' business prospects.

During 1992, CT Financial Services will continue to dedicate resources to the delivery of superior customer service, generate increased profitable business volumes and develop new services and products, and to protect and expand its retail deposit market share. It also intends to continue expanding the retail branch network both in Canada and the United States. Growth in deposits, net investment income and net earnings will however be influenced by general economic conditions in Canada and the United States. CT Financial Services' ability to attract and service its retail deposit base and its policy of minimizing risk through conservative balance sheet and interest rate sensitivity management should enable it to improve upon its earnings performance.

Earnings in 1992 will also reflect a full year's contribution from First Federal compared with an eight-month contribution in 1991.

The other operating company in the Imasco Enterprises group is Genstar Development Company. Poor economic conditions in 1991 led to reduced activity in residential construction and resulted in reduced revenues and a lower contribution to operating earnings. On a fully consolidated basis, Genstar Development's earnings from operations amounted to \$29.5 million in 1991 and \$35.9 million in 1990. On an equity basis, its contribution to the Corporation's operating earnings, which is net of goodwill amortization, interest charges and income taxes, amounted to \$12.6 million in 1991 compared with \$14.4 million in 1990.

Other costs and administrative expenses arising from Imasco Enterprises amounted to \$28.4 million in 1991 compared with \$38.2 million in 1990. These costs include retirement and deferred compensation benefits of certain former employees of Genstar Corporation, legal costs associated with certain former Genstar operations and the cost of winding down certain remaining operations. (Refer to Note 17(f),(g), page 42)

A reconciliation of CT Financial Services' net earnings attributed to common shareholders to the Corporation's equity in the net earnings of Imasco Enterprises is provided on page 51. The reduction in minority interest is due to the elimination of dividend payments by Imasco Financial Corporation on \$300 million preferred shares that were redeemed on October 22, 1990.

Hardee's Food Systems

Results at Hardee's in 1991 were disappointing. System-wide sales, revenues and operating earnings were well below expectations and performance, in general, was below that of major industry competitors. The year was characterized by declining customer traffic due in part to reduced consumer discretionary spending in a difficult economic environment, price discounting in order to match the competition and continued difficulties in integrating the Roy Rogers chain of restaurants acquired in April 1990.

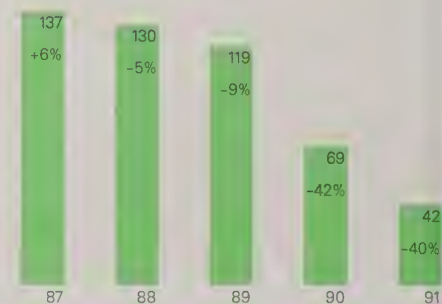
System-wide sales and revenues increased in 1991 due to a full year's inclusion of

the Roy Rogers restaurants. At December 31, 1991, the Hardee's system consisted of 1,249 company-operated and 2,765 licensed restaurants compared with 1,352 company-operated and 2,670 licensed restaurants the previous year. System-wide average sales volume per restaurant declined slightly to US \$938,000 in 1991 from US \$940,000 in 1990, while company-operated average sales volume increased 1% to US \$889,000.

Hardee's share of customer traffic in the sandwich category of the quick service restaurant industry declined to 10.7% in 1991 from 11.3% in 1990. The reduction in traffic can be attributed to the Roy Rogers restaurants. The loss of traffic resulted in lower sales and licence fees and is the major factor behind the reduced operating earnings. Strong competition continues to exist from other sectors of the quick service restaurant industry and from other non-traditional sources.

Operating earnings decreased in 1991 to US \$36.4 million from US \$59.4 million in 1990. This continues the trend experienced in 1990 when operating earnings were reduced from US \$100.3 million in 1989. With a stronger Canadian dollar in 1991 and 1990, the rate of decline in Canadian dollar operating earnings is greater in both years. Operating margins at the restaurant level declined due primarily to discounted prices and increased labour and occupancy costs. In 1990, a staff reduction program was implemented at Hardee's principal and area offices and, as a result, administrative expenses in 1991 were reduced.

Hardee's Operating earnings (Cdn \$ millions)



Conversion of Roy Rogers restaurants to the Hardee's format commenced in 1990 in the Baltimore/Washington region. The strength of the Roy Rogers trademark

and the popularity of certain of its products were underestimated and consumer reaction was negative. Hardee's approach to the conversion process was modified and corrective action is being taken. Results of the 133 restaurants which converted during 1991 have improved but not up to expectations. To the end of 1991, a total of 289 Roy Rogers restaurants have been converted and 37 restaurants have been closed.

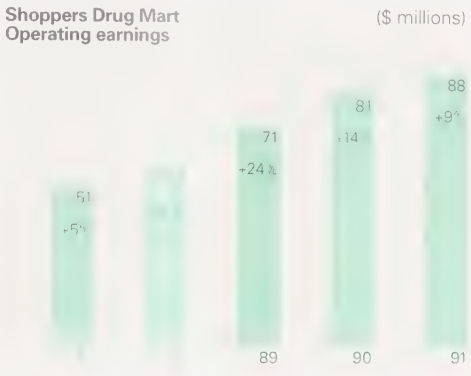
Fast Food Merchandisers, the manufacturing and distribution arm of Hardee's, increased revenues and maintained operating earnings. This was due to additional Hardee's and Roy Rogers locations served, new product introductions, more customers outside the Hardee's system and a full year's impact of the Roy Rogers acquisition.

Hardee's will continue to operate in a difficult environment in 1992. Sales volumes should improve as the United States economy starts to recover, however, the timing and degree of recovery are difficult to predict. Price competition within the industry is expected to continue for the foreseeable future. Hardee's performance will depend on the success of marketing and operations strategies targeted at improving customer traffic and sales.

Shoppers Drug Mart

The 1991 results of Shoppers Drug Mart were strong considering the general weakness in Canadian retail sales and the poor financial performance of most other retailers. System-wide sales increased 3% to \$2.9 billion during 1991 reflecting the net addition of 26 stores and increased volumes at existing stores. These factors also resulted in increased revenues. The comparability of system-wide sales is affected by the replacement of the Federal Sales Tax (FST) by the GST effective January 1, 1991. The GST is excluded from 1991 system-wide sales while in 1990 the FST was included. After adjustment for the FST, comparable store sales increased 5.0% during 1991 in comparison with a 7.5% increase in 1990. The company's mix of sales has been affected as certain categories have proven to be more susceptible to the weak economy, cross-border shopping and the early effects of the Canada-U.S. Free Trade Agreement. Substantial increases in tobacco taxes have caused a decline in Canadian tobacco sales and this has impacted Shoppers Drug Mart's

business. Prescription sales now account for 28% of total sales compared with 25% in 1990. Comparable store prescription sales were up 12%. During 1991, average sales per square foot rose to \$786 compared with \$778 in 1990.



Operating earnings increased in 1991 due to system-wide sales improvement and cost control programs at store level. Operating earnings also benefitted as administrative expenses were controlled in light of the difficult economic times.

There are numerous factors affecting the long term prospects of the Shoppers Drug Mart business. On the legislative front, there are possible restrictions on the sale of tobacco products in pharmacies and the increasing taxation of such products, the continued trend to reduce the rising costs of health care through reduced compensation to health care providers such as pharmacies, Sunday closing legislation and the possible change in federal legislation allowing the sale of over-the-counter drugs in retail establishments other than pharmacies. Shoppers Drug Mart will continue its pro-active approach to dealing with possible changes in legislation. On the economic front, future success will be dependent on the rate of recovery of the economy and the long term impact of cross-border shopping.

Many of the above mentioned factors are not new to Shoppers Drug Mart and, despite their existence, operating performance has improved consistently over time. Greater consumer emphasis on health care and an aging population are external factors working in Shoppers Drug Mart's favour. Shoppers Drug Mart attempts to gain a competitive edge in this environment by emphasizing convenience, selection, savings and

service and by capitalizing on its strong trade name. The outlook in 1992 is for continued growth in system-wide sales, revenues and operating earnings.

The UCS Group

Consistent with the experience of most Canadian retailers and for reasons elaborated upon previously, 1991 was a very difficult year for The UCS Group. Reduced tobacco sales in Canada, lower than anticipated traffic in airports and shopping malls as well as low occupancy in hotels all contributed to poor results. The number of stores at December 31, 1991 totalled 526, a net decrease of seven during the year. Comparable store sales decreased 5.0% after adjusting for the elimination of the FST. Lower sales, gross margin pressures and higher occupancy costs resulted in an operating loss. Facing a declining demand for its core tobacco products and a continuing difficult retail environment, measures are being taken to increase customer traffic and improve productivity in order to return The UCS Group to profitability in 1992.

Inflation

In recent years, inflation has not had a material effect on the Corporation's operations. The potential impact is most pronounced in the financial services sector. In the past, sharp changes in the inflation rate led to material changes in the borrowing and depositing practices of customers. Inflation expectations are reflected in the interest rate expectations of depositors and borrowers and in the selection of deposit and loan instruments. CT Financial Services attempts to control the potential effects of inflation by paying close attention to asset-liability management policies.

(cont'd on page 29)

**Imasco Limited
Management's Responsibility for
Consolidated Financial Statements and
Auditors' Report**

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Imasco Limited and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Imasco and its subsidiaries have developed and continue to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of non-executive directors. The Audit Committee meets periodically with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by Deloitte & Touche, Chartered Accountants,

who have full access to the Audit Committee with and without the presence of management. Their report follows.



Purdy Crawford
Chairman and Chief Executive Officer



Raymond E. Guyatt, C.A.
Executive Vice-President and
Chief Financial Officer



Pierre Duhamel, C.A.
Vice-President and Controller

February 5, 1992

Auditors' Report

To the Shareholders of Imasco Limited

We have audited the consolidated balance sheets of Imasco Limited as at December 31, 1991, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended appearing on pages 27, 28, 30, 32 and 34 through 49. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those

standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991, 1990 and 1989 and the results of its operations and the

changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Montréal, Canada

February 5, 1992

Imasco Limited

Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, with respect to the Corporation's continuing operations, reflect the policies listed below.

Basis of presentation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, except Imasco Enterprises Inc. and its subsidiaries (including CT Financial Services Inc.). Imasco Enterprises Inc. is accounted for by the equity method because its financial structure and operations differ significantly from the Corporation's other businesses. Certain subsidiaries with limited activities, which were formerly subsidiaries of Imasco Enterprises Inc. and are not significant as a whole, continue to be accounted for by the equity method. The condensed consolidated financial statements of Imasco Enterprises Inc., which commence on page 45, are an integral part of the consolidated financial statements of the Corporation.

Changes in accounting policies

During 1991, the Corporation adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to the accounting for capital assets. As a result, certain intangible assets previously classified as deferred charges now meet the definition of capital assets and are reported as such. The adoption of these new recommendations had no impact on net earnings.

During 1990, the Corporation adopted, on a prospective basis, the recommendations of the CICA on the reporting of discontinued operations. Accordingly, the results of Peoples Drug Stores, which was divested in 1990, were disclosed separately from the results of continuing operations. The assets and liabilities of Peoples Drug Stores as at December 31, 1989 are included in the Corporation's Consolidated Balance Sheet as previously reported. This change in accounting policy had no effect on the net earnings of the Corporation. (Refer to Note 16 on page 41)

Licence and service fee income

Initial licence fee (Restaurant segment): recognized as income upon the opening of a restaurant. Continuing service fees (Restaurant and Drug store segments): recognized as income as a variable percentage of sales of licensed restaurants and associate drug stores.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined substantially as follows: Tobacco – average cost; Restaurant – first-in, first-out; The UCS Group – retail inventory method.

Investments and notes receivable

Investments are stated at cost and are written down to reflect impairments in value which are other than temporary. Notes receivable are stated at their estimated net realizable value.

Deferred charges

Deferred charges are stated at cost less accumulated amortization calculated on a straight-line basis. The amortization periods for the principal elements of deferred charges are over the life of the instruments to which they relate, except as follows: Franchise conversion costs – principally over four years; Drug store opening costs – recovered from drug store associates over two years, commencing the thirteenth month after opening.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets range from 20 to 40 years for buildings and from two to 20 years for equipment. Leasehold improvements and property under capital leases are amortized on a straight-line basis over the lesser of the estimated useful lives of the assets and the term of the lease. Favourable leases are amortized on a straight-line basis over the term of the lease.

Goodwill

Goodwill and related costs arising from acquisitions are capitalized and amortized on a straight-line basis over their estimated lives not exceeding 40 years.

Imasco Limited
Consolidated Statement of Earnings and
Consolidated Statement of Retained Earnings
For the years ended December 31

Consolidated Statement of Earnings

| | 1991 | 1990 | 1989 |
|--------------------------------------|---|----------------|----------------|
| | Millions of dollars, except earnings per common share | | |
| Revenues | 5,432.5 | 5,234.0 | 4,517.5 |
| Tobacco sales and excise taxes | 1,912.5 | 1,744.5 | 1,489.4 |
| | <u>3,520.0</u> | <u>3,489.5</u> | <u>3,028.1</u> |
| Operating costs | 2,995.5 | 2,964.1 | 2,496.6 |
| | <u>524.5</u> | <u>525.4</u> | <u>531.5</u> |
| Equity in net earnings of | | | |
| Imasco Enterprises (Note 4) | 134.8 | 101.6 | 152.5 |
| | <u>659.3</u> | <u>627.0</u> | <u>684.0</u> |
| Operating earnings | | | |
| Corporate expense | 33.5 | 32.0 | 31.6 |
| Interest expense (Note 9) | 198.2 | 212.9 | 195.5 |
| | <u>427.6</u> | <u>382.1</u> | <u>456.9</u> |
| Earnings before income taxes | | | |
| Provision for income taxes (Note 10) | 96.0 | 90.7 | 95.4 |
| | <u>331.6</u> | <u>291.4</u> | <u>361.5</u> |
| Earnings from continuing operations | | | |
| Discontinued operations (Note 16) | — | 3.7 | 4.6 |
| | <u>331.6</u> | <u>295.1</u> | <u>366.1</u> |
| Net earnings | | | |
| Net earnings attributed to | | | |
| Preference shares | 27.0 | 27.0 | 24.3 |
| Common shares | 304.6 | 268.1 | 341.8 |
| | <u>331.6</u> | <u>295.1</u> | <u>366.1</u> |
| Earnings per common share (Note 6) | | | |
| Earnings from continuing operations | \$2.56 | \$2.22 | \$2.83 |
| Net earnings | \$2.56 | \$2.25 | \$2.87 |

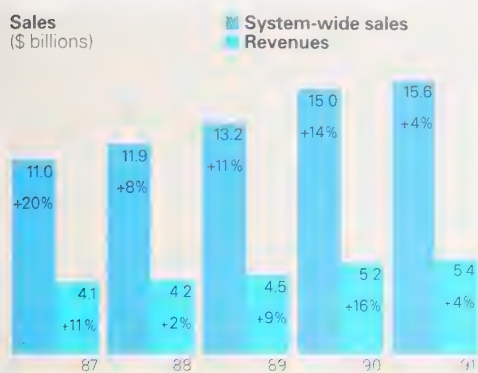
Consolidated Statement of Retained Earnings

| | 1991 | 1990 | 1989 |
|--------------------------------|---------------------|----------------|----------------|
| | Millions of dollars | | |
| Beginning of year | 1,615.5 | 1,505.7 | 1,299.1 |
| Net earnings | 331.6 | 295.1 | 366.1 |
| Dividends (Note 11) | (179.4) | (179.6) | (157.8) |
| Capital transactions (Note 13) | (2.5) | (5.7) | (1.7) |
| | <u>1,765.2</u> | <u>1,615.5</u> | <u>1,505.7</u> |
| End of year | | | |

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Consolidated results of operations

The comparability of the accompanying results is affected by the acquisition on April 13, 1990 of the Roy Rogers chain of 648 company-operated and licensed restaurants. The following comments summarize the consolidated results of the Corporation's operating companies which are discussed individually commencing on page 22.



System-wide sales increased 4% to \$15.6 billion in 1991. System-wide sales is a yardstick used to measure the sales of all companies and locations operating under the Imasco umbrella. Included are the sales of licensed Hardee's restaurants and associated Shoppers Drug Mart stores. These amounts are excluded from consolidated revenues as ownership of these outlets rests in the hands of third parties. The contribution to consolidated revenues from these locations is primarily in the form of licence and other fees. Also included in system-wide sales but not in consolidated revenues are the revenues of the companies grouped under Imasco Enterprises. These companies are accounted for by the equity method. System-wide sales by operating company are listed on page 1.

Consolidated revenues increased 4% to \$5.4 billion in 1991. Although there has been some real growth, the increases in system-wide sales and revenues are due primarily to the timing of the Roy Rogers acquisition and higher tobacco taxes.

Corporate expenses increased in line with the rate of inflation, reflecting the focus on containment of administrative expenses. The Corporation's policy is not to allocate corporate expenses to its operating companies.

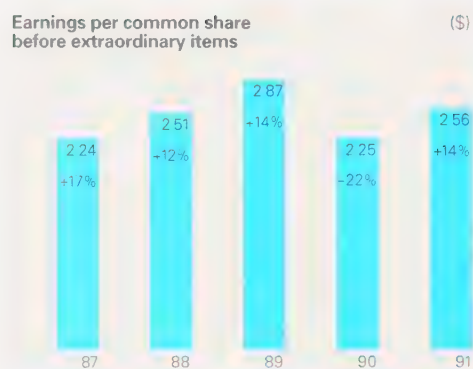
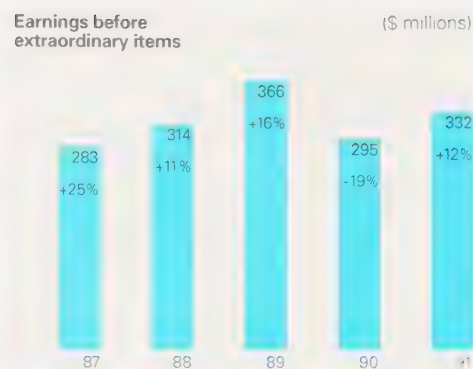


Despite \$300 million of additional debt arising from the October 1990 refinancing of Imasco Financial Corporation preferred shares, interest expense was reduced in 1991 as the Corporation benefitted from lower interest rates throughout 1991. The weighted average interest rate on floating rate debt during 1991 was 7.5% compared with 10.6% in 1990. Taking into account fixed rate debt, the weighted average interest rate on total debt was 9.4% compared with 10.5% in 1990. Also positively impacting interest expense during 1991 were debt reductions from positive cash flows and favourable exchange rate fluctuations. Interest coverage, the ratio of earnings before interest and taxes to interest expense, was 3.2 in 1991 compared with 2.8 in 1990.

The Corporation's effective tax rate, excluding equity earnings, increased to 32.8% from 32.3% in 1990. The increase is due to the continued shift in the mix of earnings to higher taxed jurisdictions. The Corporation continues to benefit from earnings in jurisdictions with lower rates of taxation than Canada, though to a lesser extent. Such earnings reduced the effective tax rate by 6.0% in 1991 compared with 8.9% in 1990. This benefit is dependent on the continued existence of certain international tax treaties.

Due to the increase in consolidated net earnings, the return on average common shareholders' equity rose in 1991 to 12.5% from 11.6% in 1990.

With significant operations in the United States, the Corporation is exposed to exchange rate fluctuations. The risk to both earnings and capital is reduced by the Corporation's practice of maintaining borrowings in US dollars. This exposure is managed with careful consideration given to



the differing costs of borrowing in the two currencies. The average rate of exchange in 1991 was approximately US \$1 = Cdn \$1.15 compared with US \$1 = Cdn \$1.17 in 1990. The impact of this variation on 1991 net earnings was minimal.

During 1991, the Canadian Institute of Chartered Accountants issued new recommendations with respect to consolidation. Effective January 1, 1992, these recommendations will require the Corporation to consolidate the results of Imasco Enterprises. Though these recommendations will not change the amount of net earnings reported, the presentation of the Corporation's Statement of Earnings will be affected. An unaudited Statement of Earnings prepared under the new recommendations is presented and discussed on page 20.

(cont'd on page 31)

Imasco Limited
Consolidated Balance Sheet
December 31

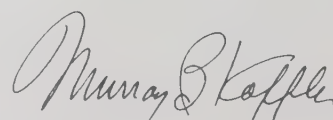
| | 1991 | 1990 | 1989 |
|--|----------------|---------------------|----------------|
| | | Millions of dollars | |
| Assets | | | |
| Cash and short term investments | 7.1 | 85.6 | 301.8 |
| Accounts and other receivables | 215.7 | 236.0 | 331.3 |
| Inventories | 503.2 | 491.7 | 767.8 |
| Prepaid expenses | 23.6 | 18.2 | 35.0 |
| Current assets | <u>749.6</u> | <u>831.5</u> | <u>1,435.9</u> |
| Investments and notes receivable (Note 1) | 133.5 | 154.4 | 113.5 |
| Deferred charges (Note 2) | 26.0 | 28.8 | 26.6 |
| Capital assets (Note 3) | 1,073.2 | 1,145.2 | 930.3 |
| Goodwill | 209.5 | 217.0 | 171.5 |
| Investment in Imasco Enterprises (Note 4) | 3,179.7 | 3,068.1 | 2,700.2 |
| Other assets | <u>4,621.9</u> | <u>4,613.5</u> | <u>3,942.1</u> |
| | <u>5,371.5</u> | <u>5,445.0</u> | <u>5,378.0</u> |
| Liabilities | | | |
| Bank and other short term loans | 29.5 | 64.6 | 205.3 |
| Accounts payable and accrued liabilities | 411.7 | 401.9 | 502.9 |
| Income, excise and other taxes | 139.7 | 50.9 | 67.7 |
| Current liabilities | <u>580.9</u> | <u>517.4</u> | <u>775.9</u> |
| Long term debt (Note 5) | 1,835.8 | 2,082.3 | 1,850.8 |
| Deferred income taxes | 25.1 | 45.5 | 55.4 |
| Other liabilities | <u>1,860.9</u> | <u>2,127.8</u> | <u>1,906.2</u> |
| Deferred credits | <u>74.5</u> | <u>79.9</u> | <u>85.5</u> |
| Shareholders' equity | 1,157.7 | 1,155.6 | 1,155.5 |
| Unrealized loss on foreign currency translation | (67.7) | (51.2) | (50.8) |
| Retained earnings | <u>1,765.2</u> | <u>1,615.5</u> | <u>1,505.7</u> |
| Shareholders' equity | <u>2,855.2</u> | <u>2,719.9</u> | <u>2,610.4</u> |
| | <u>5,371.5</u> | <u>5,445.0</u> | <u>5,378.0</u> |

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Approved by the Board,



Purdy Crawford, Director



Murray B. Koffler, c.m., Director

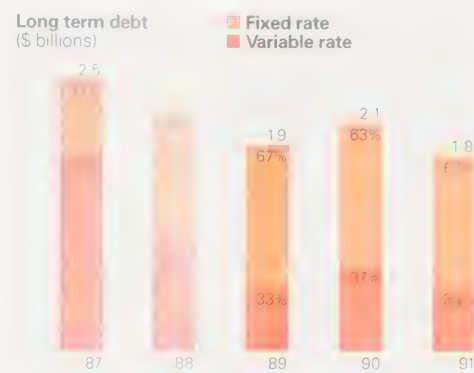
Financial condition

During 1991, the Corporation further strengthened its financial position. The Corporation's net worth increased \$135.3 million as net earnings exceeded dividend payments and the increase in the unrealized loss on foreign exchange. Long term debt decreased \$246.5 million during the year as positive cash flows from operations and cash on hand were applied towards debt reduction. The reduction also reflects a small benefit from a slightly stronger Canadian dollar. The combined decrease in long term debt and increase in shareholders' equity reduced the ratio of long term debt to total capital to 39.1% at December 31, 1991 compared with 43.4% last year. This brings the Corporation closer to its long term objective of a 35% ratio. The internal objective allows for temporary variations from this target that may result from business acquisitions or corporate restructuring.



The relationship between fixed rate debt and variable rate debt is carefully managed taking into account current and anticipated market conditions. The larger the proportion of fixed rate debt the more protected the Corporation is from the risk of future interest rate increases, however, the potential benefits of a declining interest rate market are reduced. Debt maturities in 1991 included US \$150 million of 8 1/4% notes and \$33.6 million of medium term notes. In addition, fixed interest swaps covering US \$50 million variable rate term loans expired. During the year, the Corporation issued \$148.9 million of medium term notes with maturities ranging from three to five years and entered into new fixed rate US \$75 million swap transactions with maturities also ranging from three to five years. At December 31, 1991, fixed rate debt re-

presented approximately 67% of long term debt compared with 63% at December 31, 1990. Looking forward into 1992, the Corporation is well positioned in the event of future interest rate increases. At December 31, 1991, the interest on \$50 million and US \$125 million of variable rate term loans has been effectively converted to a fixed interest rate through interest rate swap transactions.



Maturities in 1992 include \$34.6 million of medium term notes. These may be refinanced through existing long term credit facilities or, depending upon market conditions, by accessing the long term capital markets.

The Corporation maintains committed long term credit facilities with various financial institutions which make available significant financial resources and provide the Corporation with the flexibility to meet short and long term borrowing requirements. At December 31, 1991, the Corporation had US \$1.5 billion available under such credit facilities, of which US \$769 million was being utilized by direct borrowings and to back up issues of notes in Canada, the United States and Europe.

The creditworthiness of Imasco Limited's securities is rated on a regular basis by credit rating agencies. The most recent rating of the long term debt of Imasco Limited by Canadian Bond Rating Service was A (high) and by Dominion Bond Rating Service was A (low). These ratings have not changed from the previous year end.

At December 31, 1991, net cash resources, defined as cash and short term investments less bank and other short term loans, amounted to a deficit of \$22.4 million. This balance represents a decrease of \$43.4

million from 1990 and reflects the application of cash towards debt reduction. The Corporation's significant available credit facilities and cash generating abilities are sufficient to meet short term operating requirements and to support the deficit position. The net working capital position at December 31, 1991 totalled \$168.7 million compared with \$314.1 million last year. The ratio of current assets to current liabilities was 1.3:1 at December 31, 1991 compared with 1.6:1 at December 31, 1990. The decline in this ratio reflects the reduced cash position and higher income and tobacco taxes payable at year end.

In August 1991, the Board of Directors authorized a normal course issuer bid to purchase up to 1,300,000 Imasco Limited common shares, or approximately 1% of the common shares issued and outstanding. The Corporation's issued share capital is nearing its authorized limit and the intention is to purchase common shares to cover future allotments of options under its stock option plan. Shares may be purchased at the prevailing market price and such purchases will terminate no later than August 5, 1992. The Corporation may renew the program at that time. During 1991, the Corporation purchased 112,600 common shares for cancellation for a total cash consideration of \$3.3 million. These purchases had no impact on reported earnings per common share.

Because the Corporation accounts for its investment in Imasco Enterprises by the equity method, its capital structure does not include third party debt of Imasco Enterprises and its subsidiaries. These are listed on page 48. In total, the debt of Imasco Enterprises Inc. was reduced by \$62.8 million during 1991. An unaudited pro-forma balance sheet of the Corporation assuming consolidation of Imasco Enterprises is presented on page 21.

(cont'd on page 33)

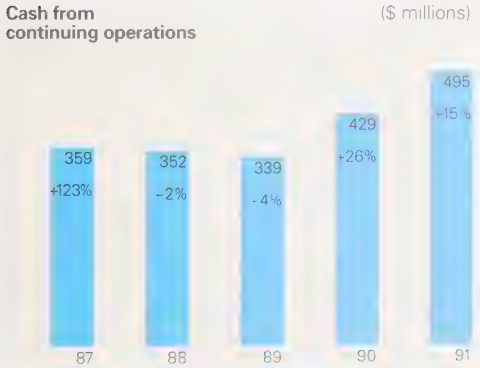
Imasco Limited
Consolidated Statement
of Changes in Financial Position
For the years ended December 31

| | 1991 | 1990 | 1989 |
|---|---------|---------------------|---------|
| | | Millions of dollars | |
| Operating activities | | | |
| Earnings from continuing operations | 331.6 | 291.4 | 361.5 |
| Items not affecting cash | | | |
| Equity earnings not received in cash | (78.3) | (79.4) | (88.0) |
| Amortization | 168.6 | 158.6 | 132.4 |
| Other items | (41.8) | (22.1) | (12.1) |
| Funds from continuing operations | 380.1 | 348.5 | 393.8 |
| Change in non-cash operating working capital | 114.6 | 80.3 | (54.7) |
| Cash from continuing operations | 494.7 | 428.8 | 339.1 |
| Discontinued operations | — | (12.2) | 3.0 |
| Total cash from operating activities | 494.7 | 416.6 | 342.1 |
| Financing activities | | | |
| Repayment of long term debt | (442.9) | (187.2) | (317.7) |
| Issue of long term debt | 202.7 | 427.2 | 31.5 |
| Dividend payments | (179.4) | (179.6) | (157.8) |
| Issue of preference shares | — | — | 150.0 |
| Change in common shares and other capital transactions | (0.4) | (5.6) | (0.6) |
| Total cash from (used for) financing activities | (420.0) | 54.8 | (294.6) |
| Investing activities | | | |
| Purchases of capital assets | (118.3) | (207.6) | (223.6) |
| Disposals of capital assets | 20.6 | 67.6 | 27.3 |
| Deferred charges | (7.1) | (17.4) | (4.8) |
| Change in investments and notes receivable | 20.0 | (41.0) | (11.3) |
| Other changes in the investment in Imasco Enterprises | (33.3) | (288.5) | 43.2 |
| Business acquisition | — | (426.6) | — |
| Business disposals | — | 374.7 | 201.1 |
| Discontinued operations | — | (8.1) | (12.9) |
| Total cash from (used for) investing activities | (118.1) | (546.9) | 19.0 |
| Cash and cash equivalents | | | |
| From operating activities | 494.7 | 416.6 | 342.1 |
| From (used for) financing activities | (420.0) | 54.8 | (294.6) |
| From (used for) investing activities | (118.1) | (546.9) | 19.0 |
| Increase (decrease) for the year | (43.4) | (75.5) | 66.5 |
| Beginning of year | 21.0 | 96.5 | 30.0 |
| Increase (decrease) for the year | (43.4) | (75.5) | 66.5 |
| End of year | (22.4) | 21.0 | 96.5 |
| Cash and short term investments | 7.1 | 85.6 | 301.8 |
| Bank and other short term loans | (29.5) | (64.6) | (205.3) |
| | (22.4) | 21.0 | 96.5 |

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Cash flows

The Corporation generated strong cash flows from operations in 1991. Cash from continuing operations before taking into consideration variations in working capital amounted to \$380.1 million compared with \$348.5 million in 1990. The increase reflects additional cash generated by Imasco Enterprises. Cash distributions to the Corporation from Imasco Enterprises amounted to \$56.5 million compared with \$22.2 million in 1990. The increase is principally due to the absence in 1991 of dividend requirements on \$300 million Imasco Financial Corporation preferred shares redeemed in October 1990, and the sale of Imasco Enterprises' venture capital portfolio. The principal source of cash for Imasco Enterprises is dividends received from CT Financial Services and these were unchanged during 1991. Amortization charges increased in 1991 due to the full year impact of the Roy Rogers acquisition. The increase in income and tobacco tax liabilities was the principal reason for the change in non-cash working capital during 1991. During 1990, cash generated from changes in working capital included \$100.0 million from the sale by Imperial Tobacco of a designated pool of accounts receivable. This balance did not change at December 31, 1991.

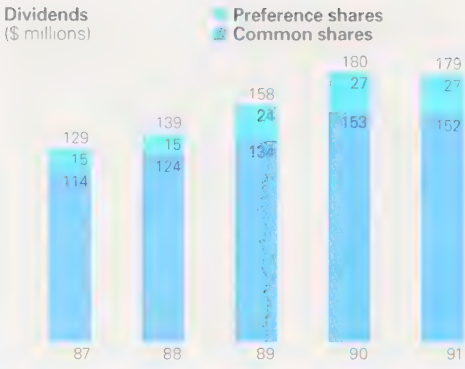


Significant ongoing cash requirements exist for capital expenditures and dividends. As was the case in 1990, cash flow from operations in 1991 was sufficient to fund both. Expenditures on capital assets for each operating company are detailed on page 43. Hardee's continues to have the largest requirements, though at significantly reduced levels. This trend, which started in 1989, reflects the reduction in the number of company-operated restaurant openings. This is due in part to the acquisition of Roy

Rogers, but also to Hardee's objective of lowering the percentage of company-operated restaurants in the system. Plans call for new restaurant development to be mostly through licensing, with less demand placed on internal capital resources. As part of this program, Hardee's had planned to sell a number of company-operated restaurants to licensees during 1991 but, due to poor market conditions, sales did not materialize at the levels anticipated. The intention in 1992 is to continue to pursue this activity to the extent possible. In early 1992, due to financial difficulties experienced by a licensee, Hardee's repossessed 63 restaurants in the Atlanta area which had been licensed under this program at the end of 1990. The related costs were provided for in Hardee's 1991 results.



With the reduction in company restaurant development, the nature of the Corporation's capital expenditures at Hardee's is principally for restaurant remodelling and maintenance. The acquisition of Roy Rogers has also resulted in expenditures for the conversion of these restaurants to the Hardee's format and for the introduction of the Roy Rogers chicken product in Hardee's restaurants. Capital expenditures by Shoppers Drug Mart and The UCS Group are primarily on store remodellings and openings while Imperial Tobacco's expenditures are mostly to maintain and upgrade plant facilities. Additions to capital assets at all of these operations are expected to increase in 1992 and in total should approximate \$160 million. The general nature of the Corporation's capital expenditures in 1992 will not change, though the increase reflects additional capital for remodelling and equipment conversions. Capital expenditures in 1992 are expected to be funded internally through operations. No material capital commitments existed at December 31, 1991.



Dividend payments by class of shares are listed on page 40. The annual dividend rate per common share remained the same in 1991 and 1990 and, with little fluctuation in the number of shares outstanding, total dividend payments during 1991 were virtually unchanged from the previous year. The 1991 dividend per common share represented 50% of current year earnings per common share while, in 1990, this ratio was 57%. The indicated annual dividend rate for 1992 has been increased to \$1.36 per common share from \$1.28 in 1991. Based upon this new rate and the outstanding capital stock at December 31, 1991, dividend requirements in 1992 on all classes of shares will approximate \$189 million. These requirements are expected to be funded internally through operations.

With strong cash flows during 1991, the Corporation was in a position to apply excess funds towards the reduction of long term debt. Net of long term debt issues, which were principally to refinance existing debt, \$240.2 million was used in the reduction of long term debt during 1991. The requirements for cash to support operations, capital expenditures and dividends should be greater in 1992 and are expected to be funded internally. Sufficient credit facilities exist to meet other cash requirements if necessary.

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31
All tabular figures are in millions of dollars

1. Investments and notes receivable

| | 1991 | 1990 | 1989 |
|--|--------------|--------------|--------------|
| Notes receivable – restaurant licensees and drug store associates | 98.1 | 103.4 | 57.1 |
| Real estate partnership (Note 7) | 14.4 | 16.0 | 17.1 |
| Other | 21.0 | 35.0 | 39.3 |
| | 133.5 | 154.4 | 113.5 |

2. Deferred charges

| | 1991 | 1990 | 1989 |
|---------------------------------|-------------|-------------|-------------|
| Franchise conversion costs | 8.5 | 9.6 | – |
| Financing costs | 4.9 | 5.9 | 7.6 |
| Promotion and advertising costs | 3.6 | 4.2 | 4.6 |
| Costs of opening facilities | 3.6 | 4.3 | 5.2 |
| Other | 5.4 | 4.8 | 9.2 |
| | 26.0 | 28.8 | 26.6 |

Amortization of deferred charges from continuing operations amounted to \$6.3 million

during 1991 (1990 – \$7.6 million; 1989 – \$9.7 million).

3. Capital assets

| | 1991 | 1990 | 1989 |
|-------------------------------|----------------|----------------|----------------|
| Land | 112.0 | 108.8 | 59.8 |
| Buildings | 298.9 | 300.2 | 267.7 |
| Equipment | 852.9 | 829.3 | 815.1 |
| Leasehold improvements | 476.9 | 466.5 | 403.5 |
| Favourable leases | 68.8 | 66.9 | 25.5 |
| Property under capital leases | 32.6 | 35.5 | 38.9 |
| | 1,842.1 | 1,807.2 | 1,610.5 |
| Accumulated amortization | (768.9) | (662.0) | (680.2) |
| | 1,073.2 | 1,145.2 | 930.3 |

Accumulated amortization is summarized below:

| | 1991 | 1990 | 1989 |
|-------------------------------|--------------|--------------|--------------|
| Buildings | 83.5 | 70.2 | 65.1 |
| Equipment | 480.0 | 421.3 | 429.4 |
| Leasehold improvements | 163.8 | 137.0 | 156.3 |
| Favourable leases | 18.5 | 9.8 | 6.6 |
| Property under capital leases | 23.1 | 23.7 | 22.8 |
| | 768.9 | 662.0 | 680.2 |

Amortization expense from continuing operations on capital assets is summarized below:

| | 1991 | 1990 | 1989 |
|-------------------------------|--------------|--------------|--------------|
| Buildings | 14.0 | 12.3 | 10.6 |
| Equipment | 90.6 | 97.1 | 76.1 |
| Leasehold improvements | 36.7 | 25.7 | 23.2 |
| Favourable leases | 8.8 | 3.2 | 2.5 |
| Property under capital leases | 1.8 | 2.0 | 1.5 |
| | 151.9 | 140.3 | 113.9 |

The net book value of capital assets not being amortized amounted to \$18.7 million at December 31, 1991.

4. Investment in Imasco Enterprises

The Corporation's investment in Imasco Enterprises combines Imasco Enterprises Inc. and its subsidiaries as well as other companies with limited activities which were previously subsidiaries of Imasco Enterprises Inc.

Imasco Enterprises Inc. was established in 1986 to acquire Genstar Corporation. Its principal asset is an indirect ownership interest in approximately 98% of the common shares of CT Financial Services Inc. Its other assets include Genstar Development Company and certain entities which are either in a winding down stage or not significant.

Condensed consolidated financial statements of Imasco Enterprises Inc. are presented commencing on page 45.

On May 8, 1991, CT Financial Services Inc., through a wholly owned subsidiary, acquired an ownership interest of approximately 99% in First Federal Savings and Loan Association of Rochester (First Federal) through a capital contribution and debt subscription of \$217.7 million. (Refer to page 49)

In December 1991, the federal government's financial institutions reform package, consisting of four bills, received Royal Assent. The legislation provides for significant changes to the regulation of the financial services industry and to the powers and ownership of financial institutions. One of the main objectives of the reform is to increase competition among such institutions. The government intends to bring all the new statutes into force at the same time, once the necessary regulations are completed. The government

presently anticipates that this will occur in 1992. A provision in the new Trust and Loan Companies Act will require that at least 35% of the voting shares of CT Financial Services Inc. or its regulated subsidiaries be held by the public not later than five years following the date the Act comes into force.

A reconciliation of Imasco Enterprises Inc.'s net earnings to the Corporation's equity in net earnings of Imasco Enterprises follows:

| | 1991 | 1990 | 1989 |
|---|--------------|--------------|--------------|
| Net earnings of Imasco Enterprises Inc. | 158.3 | 147.6 | 221.3 |
| Net loss of other companies | 22.9 | (13.0) | (6.0) |
| Net interest income (expense) on advances to (from) Imasco Enterprises Inc. and other companies, net of tax | 1.6 | (30.8) | (60.6) |
| Amortization of additional goodwill | 2.2 | (2.2) | (2.2) |
| Equity in net earnings of Imasco Enterprises | <u>134.8</u> | <u>101.6</u> | <u>152.5</u> |

A reconciliation of Imasco Enterprises Inc.'s shareholders' equity to the Corporation's investment in Imasco Enterprises is as follows:

| | 1991 | 1990 | 1989 |
|---|----------------|----------------|----------------|
| Shareholders' equity of Imasco Enterprises Inc. | 2,095.4 | 2,960.5 | 3,243.9 |
| Net advances from Imasco Enterprises Inc. | 272.1 | (2.4) | (671.2) |
| Shareholder's equity of and advances from other companies | 56.3 | 49.1 | 64.4 |
| Net additional goodwill and fair value | 58.7 | 60.9 | 63.1 |
| Investment in Imasco Enterprises | <u>3,179.7</u> | <u>3,068.1</u> | <u>2,700.2</u> |

5. Long term debt

| | 1991 ⁷ | 1990 | 1989 |
|---|-------------------|----------------|----------------|
| Term loans (unsecured) ^{1,2,3} | 763.7 | 926.6 | 766.3 |
| Debentures (unsecured) | | | |
| 11.85% due February 1996 | 150.0 | 150.0 | — |
| 10½% due November 1996 | 200.0 | 200.0 | 200.0 |
| 10½% due April 1998 | 150.0 | 150.0 | 150.0 |
| 10¼% due December 2001 | 150.0 | 150.0 | 150.0 |
| | 650.0 | 650.0 | 500.0 |
| Notes payable (unsecured) | | | |
| 10½% due July 1993 | 100.4 | 100.6 | 100.9 |
| Medium term notes ⁴ | 280.8 | 165.5 | 230.2 |
| 8⅞% due November 1991 ² | — | 174.0 | 173.8 |
| 10¾% payable to September 1994 ² | — | 18.6 | 23.2 |
| | 381.2 | 458.7 | 528.1 |
| Capital lease obligations ^{2,5} | 16.4 | 19.1 | 23.7 |
| Other long term obligations ^{2,6} | 24.5 | 27.9 | 32.7 |
| | 1,835.8 | 2,082.3 | 1,850.8 |

¹ Term loans consisting of unsecured promissory notes, some of which mature within one year, are supported by committed bank term credit facilities of \$1.7 billion (US \$1.5 billion) expiring in 1997 and 1998. Term loans outstanding at December 31, 1991 carry a weighted average interest rate of 5.6% (1990 – 10.4%; 1989 – 10.9%).

² All or partly payable in US dollars. The aggregate principal amount of long term debt payable in US dollars at December 31, 1991 was \$717.9 million (US \$621.0 million), at December 31, 1990 was \$791.1 million (US \$682.0 million) and at December 31, 1989 was \$746.2 million (US \$644.1 million).

³ Interest payments on \$50 million floating rate term loans and on US \$125 million floating rate term loans have effectively been converted to fixed interest rates of approximately 10.9% and 8.4% for terms ending up to 1996.

⁴ Medium term notes consist of unsecured notes issued for periods ranging from two to seven years and carry a weighted average interest rate of 10.6% at December 31, 1991 (1990 – 10.8%; 1989 – 10.7%).

⁵ Expire on various dates to 2018. The aggregate minimum commitments under such leases total \$34.7 million at December 31, 1991 (1990 – \$37.6 million; 1989 – \$46.1 million).

⁶ Principally industrial revenue bonds of a subsidiary which mature on various dates to 2010 and carry a weighted average interest rate of 5.7% at December 31, 1991 (1990 – 7.6%; 1989 – 8.0%). The bonds are secured by capital assets with a net book value of approximately \$40.1 million (1990 – \$38.8 million; 1989 – \$27.5 million).

⁷ Long term debt maturities over the next five years are estimated as follows: 1992 – \$38.6 million; 1993 – \$168.2 million; 1994 – \$66.2 million; 1995 – \$118.9 million; 1996 – \$362.2 million. Maturities in 1992 will be mainly refinanced through existing committed long term credit facilities and, accordingly, have been classified as long term debt.

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31

All tabular figures are in millions of dollars,
except number of shares data

6. Capital stock

Authorized:

1,650,000 6% Cumulative Preference Shares;
An unlimited number of First and Second
Preference Shares, issuable in series;
120,500,000 common shares.

Issued and outstanding:

| | 1991 | 1990 | 1989 |
|--|----------------|----------------|----------------|
| 1,191,888 6% Cumulative Preference Shares | 5.8 | 5.8 | 5.8 |
| 8,000,000 7.375% Retractable First Preference Shares Series C ¹ | 200.0 | 200.0 | 200.0 |
| 300 7.90% Perpetual First Preference Shares Series D ² | 150.0 | 150.0 | 150.0 |
| 119,114,183 common shares (1990 – 119,113,133; 1989 – 119,246,833) ^{1,4} | 801.9 | 799.8 | 799.7 |
| | <u>1,157.7</u> | <u>1,155.6</u> | <u>1,155.5</u> |

Changes in common shares issued and
outstanding were:

| | Shares | Amount |
|---|--------------------|--------------|
| December 31, 1989 | 119,246,833 | 799.7 |
| Issued at \$26.375 to \$28.25 on the exercise of stock options | 49,300 | 1.3 |
| Shares cancelled ³ (Note 13) | (183,000) | (1.2) |
| December 31, 1990 | <u>119,113,133</u> | <u>799.8</u> |
| Issued at \$18.50 to \$30.625 on the exercise of stock options | 113,650 | 2.8 |
| Shares cancelled ⁵ (Note 13) | (112,600) | (0.7) |
| December 31, 1991 | <u>119,114,183</u> | <u>801.9</u> |

¹ Retractable First Preference Shares Series C of a stated value of \$25.00 each bear a cumulative preferential dividend of 7.375%. These shares are retractable at the holder's option on July 17, 1993 at \$25.00 per share plus accrued and unpaid dividends, and are redeemable at \$26.00 per share until July 17, 1992; thereafter and before July 17, 1993 at \$25.50 per share; and on or after July 17, 1993 at \$25.00, together in each case with accrued and unpaid dividends.

² During 1989, 300 Perpetual First Preference Shares Series D were issued at \$500,000 per share. The dividend rate is set at 7.90% until June 30, 1994 and thereafter can be reset through negotiations with the holders. The shares are redeemable at the Corporation's option at par plus accrued and unpaid dividends on, or anytime after, June 30, 1994.

¹ At December 31, 1991, there were stock options outstanding in respect of 1,429,110 common shares granted to certain employees of the Corporation with a weighted average exercise price of \$30.84. These options expire at various dates to 2001.

⁴ The weighted average number of shares outstanding used in the determination of earnings per common share at December 31, 1991 was 119,111,416 (1990 – 119,241,741; 1989 – 119,236,554).

⁵ Represents the number and the stated value of shares purchased for cancellation under a normal course issuer bid authorized by the Corporation's Board of Directors. Under this program, the Corporation is authorized to purchase up to 1,300,000 of its common shares at the prevailing market price up to August 5, 1992.

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31

All tabular figures are in millions of dollars

7. Deferred gain

During 1988, two sale and leaseback transactions were completed in the Restaurant segment which, in total, generated net cash proceeds of approximately \$321 million. The gains resulting from these transactions have been deferred and the unamortized balances at December 31, 1991 total \$74.5 million (1990 – \$79.9 million; 1989 – \$85.5 million). The leases under both transactions are accounted for as operating leases.

The first transaction, which was completed in February 1988, generated net cash proceeds of approximately \$235 million. The

land and buildings of 279 restaurant properties were sold to a partnership capitalized by a subsidiary of the Corporation and an unrelated third party and subsequently leased back. The Corporation, through a subsidiary, maintains a 50% interest in the partnership and accounts for its investment in the partnership by the equity method. The deferred gain arising from this transaction totals \$61.5 million at December 31, 1991 (1990 – \$65.9 million; 1989 – \$70.6 million) and is being amortized on the basis of 50% over the 15 year life of the lease and 50% over 25 years. The latter period approximates the

estimated remaining lives of the assets sold to the partnership.

On December 29, 1988, a second transaction was completed pursuant to which the land and buildings of 101 restaurant properties were sold to an unrelated third party for net cash proceeds of approximately \$86 million and leased back for an initial minimum period of 15 years. The deferred gain which amounts to \$13.0 million at December 31, 1991 (1990 – \$14.0 million; 1989 – \$14.9 million) is being amortized over the term of the lease.

8. Retirement benefits

Pension benefits are available to substantially all full time employees under the Corporation's defined benefit plans. Benefits under these plans are based on the employee's years of service and final average pay. Pension funding is provided based on actuarial estimates and is subject to limitations under applicable income tax regulations. The projected benefit obligations were determined using assumed discount rates ranging from 8% to 8½% (1990 and 1989 – 8% to 8½%) and assumed rates of compensation increases ranging from 6% to 6½%

(1990 and 1989 – 6% to 6½%). The assumed rates of return on assets range from 8% to 8½% (1990 and 1989 – 8% to 8½%). The Corporation has immunized itself against future changes in the projected benefit obligation related to Canadian retirees which amounts to approximately \$204 million. The assumed discount rate used to project this obligation and the assumed rate of return on the related assets are both 11.1%.

The Corporation provides limited health benefits to eligible employees upon retirement.

The cost of these benefits is expensed as incurred. During 1991, these costs were approximately \$1.1 million and related mostly to Canadian retirees.

Pension expense from continuing operations is summarized below:

| | 1991 | 1990 | 1989 |
|--|-------------|-------------|------------|
| Service cost on benefits earned | 13.5 | 18.6 | 10.1 |
| Interest cost on projected benefit obligations | 41.8 | 37.0 | 34.3 |
| Expected return on plan assets | (39.0) | (36.3) | (37.1) |
| Amortization of net transition assets and other gains and losses | 2.7 | 1.1 | 1.9 |
| Total pension expense | <u>19.0</u> | <u>20.4</u> | <u>9.2</u> |

The status of the Corporation's pension plans was as follows:

| | 1991 | 1990 | 1989 |
|--|----------------|----------------|----------------|
| Plan assets at market related value | 462.0 | 430.0 | 488.7 |
| Projected benefit obligations | <u>(496.9)</u> | <u>(451.5)</u> | <u>(445.4)</u> |
| Plan assets (less than) in excess of projected benefit obligations | <u>(34.9)</u> | <u>(21.5)</u> | <u>43.3</u> |
| Unrecognized net transition assets and other gains (losses) | (7.3) | 1.5 | 35.6 |
| Recognized net pension (liability) asset | <u>(27.6)</u> | <u>(23.0)</u> | <u>7.7</u> |

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31

All tabular figures are in millions of dollars,
except tax rate data

9. Interest expense

| | 1991 | 1990 | 1989 |
|----------------------------|--------------|--------------|--------------|
| Interest on long term debt | 198.3 | 209.3 | 202.4 |
| Interest on capital leases | 2.6 | 2.9 | 3.7 |
| Other interest, net | 1.3 | 0.7 | (10.6) |
| | 198.2 | 212.9 | 195.5 |

Interest expense capitalized during the year ended December 31, 1991 amounted to \$0.1 million (1990 – \$0.2 million; 1989 – \$0.8 million). These amounts represent

interest on funds expended on construction projects, until their completion, in the Restaurant segment.

10. Income taxes

The effective income tax rate varies from year to year due to factors such as changes in statutory income tax rates, the imposition of temporary surtaxes, variations in special

tax incentives made available under tax legislation and differences in the extent to which they may be claimed, and differences in the geographic and industrial mix of earnings.

The effective income tax rate of the Corporation is calculated from its consolidated statement of earnings as follows:

| | 1991 | 1990 | 1989 |
|--|--------------|--------------|--------------|
| Provision for income taxes | 74.0 | 90.7 | 95.4 |
| Earnings before income taxes | 412.7 | 382.1 | 456.9 |
| Equity in net earnings of Imasco Enterprises | 164.1 | (101.6) | (152.5) |
| Pre-tax earnings excluding equity earnings | 288.6 | 280.5 | 304.4 |
| Effective income tax rate | 32.8% | 32.3% | 31.3% |

The principal factors causing the difference between the effective income tax rate and

the combined federal and provincial tax rate in Canada are as follows:

| | 1991 | 1990 | 1989 |
|---|--------------|--------------|--------------|
| Combined federal and provincial income tax rate | 39.5% | 39.5% | 40.0% |
| Foreign income taxed at lower rates | (1.1) | (8.9) | (8.5) |
| Manufacturing and processing allowances | 3.0 | (1.7) | (0.5) |
| Other items | 2.6 | 3.4 | 0.3 |
| Effective income tax rate excluding equity earnings | 32.8% | 32.3% | 31.3% |

The components of the provision for income taxes are as follows:

| | 1991 | 1990 | 1989 |
|----------|-------------|-------------|-------------|
| Current | 21.0 | 98.3 | 90.9 |
| Deferred | 53.0 | (7.6) | 4.5 |
| | 96.0 | 90.7 | 95.4 |

11. Dividends

| | 1991 | 1990 | 1989 |
|--|--------------|--------------|--------------|
| 6% Cumulative Preference Shares | 0.3 | 0.3 | 0.3 |
| 7.375% Retractable First Preference Shares | | | |
| Series C | 14.8 | 14.8 | 14.8 |
| 7.90% Perpetual First Preference Shares | | | |
| Series D | 11.9 | 11.9 | 9.2 |
| Common shares | 152.4 | 152.6 | 133.5 |
| | 179.4 | 179.6 | 157.8 |

12. Operating lease commitments

The Corporation has commitments with respect to real estate operating leases, most of which are for terms of three to 20 years.

The minimum rental commitments existing at December 31, 1991, before deducting amounts assumed by drug store associates and other third parties, are approximately as follows: 1992 – \$186.7 million; 1993 – \$176.6 million; 1994 – \$162.6 million; 1995 – \$153.0

million; 1996 – \$133.2 million. These minimum annual rental commitments do not reflect escalation and percentage-of-sales clauses contained in some leases. Net rentals under leases, including escalation and percentage-of-sales payments, amounted to \$111.0 million for the year ended December 31, 1991 (1990 – \$108.0 million; 1989 – \$92.5 million). In addition, the Corporation has operating lease commitments

for equipment which are for terms of one to 10 years, with an annual rental of approximately \$18 million.

The minimum annual commitments under real estate leases, excluding escalation and percentage-of-sales clauses and net of amounts assumed by drug store associates and other third parties, are approximately as follows:

| | 1991 | 1990 | 1989 |
|----------|------|------|------|
| 1st year | 96.4 | 98.9 | 81.1 |
| 2nd year | 90.4 | 94.6 | 76.6 |
| 3rd year | 81.6 | 89.6 | 73.9 |
| 4th year | 79.9 | 81.1 | 69.6 |
| 5th year | 69.2 | 79.9 | 61.5 |

13. Capital transactions

| | 1991 | 1990 | 1989 |
|--|------------|------------|------------|
| Cost of common shares purchased | | | |
| for cancellation in excess of stated value | 2.5 | 4.3 | – |
| Costs of issuing shares, net of tax | – | – | 0.8 |
| Costs of issuing securities by a | | | |
| non-consolidated subsidiary, net of tax | – | 1.4 | 0.9 |
| | 2.5 | 5.7 | 1.7 |

14. Related party transactions

B.A.T Industries p.l.c., through the ownership of 40.5% of the Corporation's common shares, is defined as a related party.

Transactions with B.A.T Industries p.l.c. and its subsidiaries were as follows:

| | 1991 | 1990 | 1989 |
|---|------|------|------|
| i. Payment of fees for research and development, marketing and manufacturing services | 1.2 | 1.4 | 1.4 |
| ii. Export sales of leaf tobacco | 13.7 | 7.3 | 6.9 |
| iii. Purchases of materials | 2.2 | 2.0 | 7.7 |

15. Business acquisition

On April 13, 1990, the Corporation acquired the Roy Rogers chain of 363 company-operated and 285 licensed restaurants for a total cash consideration of \$427.2 million

(US \$365.0 million). The acquisition was financed with cash on hand of approximately \$234 million (US \$200 million) and by the issue of promissory notes.

Details of the acquisition, which was accounted for by the purchase method of accounting, are as follows:

| | 1990 |
|----------------------------------|---------------------|
| Assets at assigned values | |
| Cash | 0.6 |
| Other current assets | 11.1 |
| Investments and notes receivable | 6.9 |
| Capital assets | 328.0 |
| Intangibles | 148.0 |
| | <u>494.6</u> |
| Liabilities at assigned values | |
| Current liabilities | 67.4 |
| Total cash consideration | <u>427.2</u> |

16. Discontinued operations

On September 17, 1990, the Corporation completed the sale of its U.S. based drug store operations, Peoples Drug Stores, Incorpo-

rated, for a total cash consideration of \$374.7 million (US \$325.0 million). The results for Peoples Drug Stores are summarized below:

| | 1991 | 1990 ¹ | 1989 |
|------------------------------|------|-------------------|-------------------|
| Revenues | - | 615.2 | 1,207.2 |
| Operating costs | - | 609.3 | 1,199.2 |
| Operating earnings | - | 5.9 | 8.0 |
| Interest expense | - | 0.3 | 0.7 |
| Earnings before income taxes | - | 5.6 | 7.3 |
| Provision for income taxes | - | 2.1 | 2.7 |
| Net earnings | - | 3.5 | 4.6 |
| Net gain on sale | - | 0.2 | - |
| | - | <u>3.7</u> | <u>4.6</u> |

¹ Represents the results of operations to June 25, 1990, the date on which agreement in principle for the sale was announced. The net gain on sale includes the net loss from operations between this date and September 17, 1990 which amounted to \$1.8 million (net of tax recovery of \$1.1 million)

and the gain on disposition of \$2.0 million (net of tax of \$1.2 million).

² In addition, revenues between June 25, 1990 and September 17, 1990 amounted to \$254.4 million.

17. Other information

a. Research and development costs charged to earnings during the year amounted to \$5.0 million (1990 – \$5.0 million, 1989 – \$5.2 million).

b. Goodwill amortization from continuing operations, related to consolidated segments and charged to earnings during 1991, amounted to \$10.4 million (1990 – \$10.7 million; 1989 – \$8.8 million).

c. During 1990, a transaction was completed in the Tobacco segment whereby the ownership of a pool of designated accounts receivable was sold to a third party. The cash proceeds from the transaction amounted to \$100.0 million and were used to repay long term debt.

d. A wholly owned subsidiary of the Corporation has provided guarantees to various banks in respect of certain borrowings by drug store associates. The total of these guarantees at December 31, 1991 was \$98.9 million (1990 – \$93.6 million; 1989 – \$87.3 million).

e. For balance sheet purposes, amounts denominated in US dollars have been converted to Canadian dollars at the rate of exchange in effect at year end as follows: December 31, 1991 – US \$1 = Cdn \$1.156; December 31, 1990 – US \$1 = Cdn \$1.160; December 31, 1989 – US \$1 = Cdn \$1.159.

f. The Corporation and its subsidiaries are parties to claims and suits brought against them in the ordinary course of business.

In addition, certain subsidiaries acquired as part of the acquisition of Genstar Corporation are subject to numerous claims and suits, most of which are asbestos related. Certain of these claims and suits allege significant damage. In the opinion of management, all such claims and suits are adequately covered by insurance or are provided for in the financial statements or, if not so covered or provided for, the results are not expected to materially affect the Corporation's financial position. Substantially all of the costs incurred in connection with the defence of asbestos related claims and suits have been covered by insurance proceeds. Furthermore, a lawsuit has been instituted by its subsidiaries seeking to establish insurance coverage from certain carriers who have denied such coverage. Costs associated with the prosecution of the coverage lawsuit are expensed and a portion of such costs may be recovered should the suit succeed.

Imasco Enterprises Inc., as successor to Genstar Corporation, is a defendant in two lawsuits that seek various forms of relief relating to Genstar's withdrawal, prior to the Corporation's acquisition of Genstar, of surplus funds from Genstar sponsored pension plans. Both actions are being vigorously defended in the Supreme Court of British Columbia. There is conflicting jurisprudence in Canada regarding the issue of surplus withdrawals; however, the Court of Appeal of British Columbia has recently upheld a decision favouring the employer. At this time, it is not possible to predict whether

the plaintiffs will succeed and, if so, the relief or quantum of damages that might be awarded. However, the results are not expected to materially affect the Corporation's financial position.

g. In addition to retirement benefits available under qualified, fully funded, defined benefit plans, certain former employees of Genstar Corporation are participants in unfunded, nonqualified supplementary executive retirement and deferred income plans pursuant to which participants deferred compensation. The obligations to make payouts under such nonqualified plans are unfunded and unsecured promises to participants to pay money in the future. An indirectly wholly owned subsidiary is the beneficiary of certain life insurance policies. Proceeds from such policies will be added to general assets and together with corporate funds will be sufficient to cover the payments under the supplementary executive retirement and deferred income plans.

h. In conformity with the Corporation's 1986 letter of undertakings to the Minister of State (Finance), as amended, no prohibited transactions have been entered into between the Corporation and CT Financial Services Inc. and its subsidiaries.

i. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31

All tabular figures are in millions of dollars

18. Segmented financial information

Financial information is presented according to the following industry segments.

Consolidated segments:

Tobacco – Imperial Tobacco: manufactures and distributes tobacco products.

Restaurant – Hardee's: operates, licenses, supplies and services a system of quick service restaurants primarily in the United States.

Drug store – Shoppers Drug Mart: licenses retail operations which specialize in pre-

scription drugs, health and beauty aids, and a broad mix of consumer products.

Other – The UCS Group: retail operations specializing in tobacco products, confectionery, reading materials and gifts as well as tax and duty free outlets
– Imasco Limited: corporate activities.

Non-consolidated segment:

Financial services – Imasco Enterprises: primarily the operations of CT Financial Services Inc. which is engaged in savings, loans, trust and real estate brokerage services.

Included are the operations of First Federal, a U.S. savings and loan company. The net earnings of First Federal since its acquisition on May 8, 1991 amounted to \$18.7 million and are included in operating earnings.

Operations outside Canada include those of the Restaurant segment and First Federal. Amounts reported as discontinued operations relate to Peoples Drug Stores, a U.S. drug store chain divested in 1990. (Refer to Note 16 on page 41)

| | | 1991 | 1990 | 1989 |
|-----------------------------------|---|----------------|----------------|----------------|
| Revenues | Tobacco | 2,662.1 | 2,707.6 | 2,385.6 |
| | Restaurant | 2,056.6 | 2,152.5 | 1,786.5 |
| | Drug store | 161.4 | 148.1 | 136.2 |
| | Other | 508.1 | 314.7 | 286.1 |
| | Intersegmental | (65.1) | (88.9) | (76.9) |
| | | 5,432.5 | 5,234.0 | 4,517.5 |
| Operating earnings | Tobacco | 317.0 | 367.1 | 334.0 |
| | Restaurant | 41.6 | 69.2 | 118.6 |
| | Drug store | 11.9 | 80.5 | 70.6 |
| | Other | 11.4 | 8.6 | 8.3 |
| | | 381.9 | 525.4 | 531.5 |
| | Equity in net earnings of Imasco Enterprises | 104.6 | 101.6 | 152.5 |
| | | 659.3 | 627.0 | 684.0 |
| Amortization expense | Tobacco | 12.8 | 17.6 | 20.0 |
| | Restaurant | 111.2 | 105.8 | 78.9 |
| | Drug store | 20.4 | 27.7 | 26.6 |
| | Other | 1.2 | 7.5 | 6.9 |
| | | 168.6 | 158.6 | 132.4 |
| Capital expenditures ² | Tobacco | 22.1 | 23.2 | 22.9 |
| | Restaurant | 60.4 | 144.6 | 155.3 |
| | Drug store | 30.0 | 33.7 | 27.3 |
| | Other | 4.9 | 6.1 | 18.1 |
| | | 118.3 | 207.6 | 223.6 |

Intersegmental revenues consist of sales from Imperial Tobacco to The UCS Group at normal wholesale selling prices.

² Expenditures on capital assets.

Imasco Limited
Notes to the
Consolidated Financial Statements
For the years ended December 31
All tabular figures are in millions of dollars

18. Segmented financial information (cont'd)

| | | 1991 | 1990 | 1989 |
|--|--|----------------|----------------|----------------|
| Capital assets ³ | Tobacco | 123.0 | 125.0 | 118.9 |
| | Restaurant | 782.9 | 857.0 | 539.1 |
| | Drug store | 129.7 | 123.9 | 114.1 |
| | Other | 37.6 | 39.3 | 34.9 |
| | Discontinued operations | — | — | 123.3 |
| | | 1,073.2 | 1,145.2 | 930.3 |
| Inventories | Tobacco | 391.5 | 379.7 | 381.0 |
| | Restaurant | 64.3 | 67.5 | 66.5 |
| | Drug store | — | — | 0.5 |
| | Other | 47.4 | 44.5 | 37.4 |
| | Discontinued operations | — | — | 282.4 |
| | | 503.2 | 491.7 | 767.8 |
| Capital employed ⁴ | Tobacco | 431.0 | 511.1 | 558.1 |
| | Restaurant | 996.3 | 1,071.2 | 618.3 |
| | Drug store | 199.3 | 213.0 | 204.1 |
| | Other | 56.4 | 50.2 | 41.4 |
| | Discontinued operations | — | — | 369.4 |
| | | 1,683.0 | 1,845.5 | 1,791.3 |
| Reconciliation of capital employed to total assets | Capital employed | 1,683.0 | 1,845.5 | 1,791.3 |
| | Investment in Imasco Enterprises | 3,179.7 | 3,068.1 | 2,700.2 |
| | Other corporate assets | 76.6 | 153.8 | 358.4 |
| | Current liabilities included in capital employed | 432.2 | 377.6 | 528.1 |
| | Total assets | 5,371.5 | 5,445.0 | 5,378.0 |

³ Capital assets are presented net of accumulated amortization.

⁴ Capital employed of each consolidated segment consists of directly identifiable oper-

ations related assets at net book value, less current liabilities, excluding income taxes payable and bank and other short term loans. Corporate assets and corporate current liabilities are excluded.

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31

All tabular figures are in millions of dollars

The accompanying summary presents the condensed consolidated balance sheet and the condensed consolidated statement of earnings of Imasco Enterprises Inc. Notes to the condensed consolidated financial statements follow this summary.

| Condensed Consolidated Balance Sheet | 1991 | 1990 | 1989 |
|---|-----------------|-----------------|-----------------|
| Assets | | | |
| Financial services | | | |
| Cash and short term notes | 2,727.0 | 2,758.3 | 2,864.1 |
| Securities | 6,979.0 | 5,831.0 | 4,775.6 |
| Loans | 31,230.1 | 25,518.4 | 24,201.0 |
| Real estate investment properties | 785.1 | 666.5 | 571.3 |
| Capital assets and other | 467.2 | 313.2 | 254.0 |
| Goodwill | 1,403.6 | 1,449.0 | 1,492.3 |
| | <u>43,592.0</u> | <u>36,536.4</u> | <u>34,158.3</u> |
| Other | | | |
| Cash and short term investments | 3.6 | 11.9 | 12.0 |
| Accounts receivable and other current assets | 40.0 | 54.6 | 92.7 |
| Inventories | 217.8 | 219.1 | 192.6 |
| Investments and other assets | 89.3 | 95.3 | 110.0 |
| Advances to parent and affiliated companies | 37.4 | 23.6 | 675.3 |
| Goodwill | 26.3 | 27.1 | 27.9 |
| | <u>414.4</u> | <u>431.6</u> | <u>1,110.5</u> |
| Total assets | 44,006.4 | 36,968.0 | 35,268.8 |
| Liabilities and Shareholders' Equity | | | |
| Financial services | | | |
| Deposits | 37,594.2 | 32,475.2 | 30,403.0 |
| Advances and other borrowings | 2,475.2 | 630.4 | 394.4 |
| Deferred income taxes and other | 107.6 | 87.3 | 130.7 |
| Preference shares of subsidiary companies and minority interest | 368.1 | 364.1 | 614.2 |
| | <u>40,545.1</u> | <u>33,557.0</u> | <u>31,542.3</u> |
| Other | | | |
| Accounts payable and other current liabilities | 114.5 | 135.2 | 122.8 |
| Long term debt | 242.4 | 305.2 | 337.0 |
| Deferred income taxes | 9.0 | 10.1 | 22.8 |
| | <u>365.9</u> | <u>450.5</u> | <u>482.6</u> |
| Shareholders' equity | 3,095.4 | 2,960.5 | 3,243.9 |
| | 44,006.4 | 36,968.0 | 35,268.8 |

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31

All tabular figures are in millions of dollars

| Condensed Consolidated Statement of Earnings | 1991 | 1990 | 1989 |
|---|----------------|----------------|----------------|
| Revenues | | | |
| Investment income | 4,009.7 | 4,032.7 | 3,541.8 |
| Fees, commissions and other | 428.0 | 379.7 | 420.6 |
| | <u>4,437.7</u> | <u>4,412.4</u> | <u>3,962.4</u> |
| Financial services interest expense | 3,049.0 | 3,187.1 | 2,790.4 |
| Operating costs | 1,039.0 | 871.2 | 760.2 |
| Earnings from operations | <u>349.7</u> | <u>354.1</u> | <u>411.8</u> |
| Amortization of acquisition goodwill | 44.4 | 43.7 | 40.6 |
| Other costs and administration | 5.5 | 20.5 | 13.5 |
| Interest expense | 26.8 | 28.8 | 35.0 |
| Interest expense (income) on parent and affiliated company advances | 1.5 | (53.3) | (102.4) |
| Earnings before income taxes and minority interest | 271.5 | 314.4 | 425.1 |
| Provision for income taxes | 83.1 | 114.9 | 148.7 |
| Preference share dividends and minority interest | 30.1 | 51.9 | 55.1 |
| Net earnings | <u>158.3</u> | <u>147.6</u> | <u>221.3</u> |

Notes to the Condensed Consolidated Financial Statements of Imasco Enterprises Inc.

A. Basis of presentation

The condensed consolidated financial statements include the accounts of Imasco Enterprises Inc. and its subsidiaries which include CT Financial Services Inc.

B. Advances to parent and affiliated companies

The advances consist principally of demand notes that bear interest at a rate based upon the prime rate charged by a major Canadian bank.

C. Loans

| | 1991 | 1990 | 1989 |
|-------------------------|-----------------|-----------------|-----------------|
| Mortgages | 24,360.8 | 18,995.3 | 17,533.5 |
| Consumer and collateral | 3,929.9 | 3,425.6 | 3,300.5 |
| Corporate | 2,087.2 | 2,062.5 | 2,234.3 |
| Other | 852.2 | 1,035.0 | 1,132.7 |
| | <u>31,230.1</u> | <u>25,518.4</u> | <u>24,201.0</u> |

D. Non-performing investments

| | 1991 | 1990 | 1989 |
|---|--------------|--------------|-------------|
| Delinquent loans | 505.2 | 162.9 | 54.6 |
| Securities | 9.6 | 7.7 | 7.4 |
| Real estate acquired in settlement of loans | 67.8 | 18.6 | 18.5 |
| | <u>582.6</u> | <u>189.2</u> | <u>80.5</u> |

As at December 31, 1991, the total includes \$221.5 million arising from the acquisition of First Federal.

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31
All tabular figures are in millions of dollars

Notes to the Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc. (cont'd)

E. Allowance for investment losses

| | 1991 | 1990 | 1989 |
|--|---------|--------|--------|
| Beginning of year | 64.0 | 64.0 | 58.9 |
| First Federal balance at date of acquisition | 114.1 | — | — |
| Provision charged to earnings | 114.1 | 70.0 | 30.1 |
| Investment losses and write-offs, net of recoveries | (164.1) | (45.1) | (25.0) |
| End of year | 64.0 | 88.9 | 64.0 |

F. Goodwill – Financial services

Goodwill and related costs arising from acquisitions are capitalized and amortized on a straight-line basis over their estimated lives not exceeding 40 years. Amortization of goodwill charged to earnings during the year

amounted to \$43.6 million (1990 – \$42.8 million; 1989 – \$39.9 million). Total goodwill includes \$79.4 million of net unamortized fair value allocations.

G. Inventories

| | 1991 | 1990 | 1989 |
|-------------------------|------|-------|-------|
| Raw land | 17.5 | 21.5 | 22.5 |
| Serviced land | 11.0 | 55.4 | 42.6 |
| Partially-serviced land | 1.0 | 36.2 | 22.7 |
| | 29.5 | 219.1 | 192.6 |

H. Deposits

| | 1991 | 1990 | 1989 |
|--------|----------|----------|----------|
| Demand | 14,283.4 | 14,283.4 | 13,961.0 |
| Term | 18,191.8 | 18,191.8 | 16,442.0 |
| | 32,475.2 | 32,475.2 | 30,403.0 |

I. Preference shares of subsidiary companies and minority interest

| | 1991 | 1990 | 1989 |
|--|-------|-------|-------|
| Preferred shares of Imasco Financial Corporation ¹ | — | — | 300.0 |
| Common shares and retained earnings of CT Financial Services Inc. | 30.5 | 30.5 | 27.4 |
| Preference shares of CT Financial Services Inc. and its subsidiaries | 333.6 | 333.6 | 286.8 |
| | 364.1 | 364.1 | 614.2 |

¹ Redeemed on October 22, 1990 at the stated value of \$25.00 per share.

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31

All tabular figures are in millions of dollars

Notes to the Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc. (cont'd)

J. Long term debt, advances and other borrowings

| | 1991 | 1990 | 1989 |
|---|---------|-------|-------|
| CT Financial Services Inc. and subsidiaries | | | |
| Advances from Federal Home Loan Bank | | | |
| 4.36% to 10.37% advances due to 2006 ¹ | 1,424.0 | — | — |
| Other borrowings | | | |
| 8% to 10% securities sold under agree- | | | |
| ments to repurchase within one year ² | 284.1 | — | — |
| Other advances | 100.9 | — | — |
| 10¼% to 13¼% notes due to 2009 | 133.5 | 133.5 | 152.0 |
| Mortgages due to 2012 at various rates ³ | 254.2 | 214.9 | 162.3 |
| Prime rate Series A convertible | | | |
| redeemable debentures due 2009 ⁴ | 78.5 | 80.3 | 80.1 |
| Variable rate money market convertible | | | |
| redeemable debentures due 2010 ⁵ | 200.0 | 201.7 | — |
| | 1,051.2 | 630.4 | 394.4 |
| | 2,475.2 | 630.4 | 394.4 |
| Imasco Enterprises Inc. | | | |
| Term loans ⁶ | 115.4 | — | — |
| 10¾% to 11¾% debentures due to 1999 ⁷ | 52.0 | 60.0 | 69.1 |
| 9¾% to 12% notes and mortgages | — | 55.2 | 78.0 |
| Short term notes and bank borrowings | — | 115.0 | 114.9 |
| | 167.4 | 230.2 | 262.0 |
| Imasco Financial Corporation | | | |
| 11¾% debentures due 1995 | 75.0 | 75.0 | 75.0 |
| | 242.4 | 305.2 | 337.0 |

¹ Secured by pledges of qualifying collateral, primarily mortgages. The market value of the pledge is at least 110% of the amount of the advances.

² Collateralized by mortgage-backed securities and U.S. treasury bills with a market value of \$300.4 million.

³ Secured by assets of \$296.2 million at December 31, 1991 (1990 – \$279.6 million; 1989 – \$202.5 million).

⁴ Convertible at any time into preference shares of Canada Trustco Mortgage Company at the option of the holder or the issuer and redeemable at the option of the issuer.

⁵ Convertible at the issuer's option, in whole, at any time after May 17, 1992 into preference shares of CT Financial Services Inc. and also convertible into preference shares, at the option of the holder, in whole, at any time after May 17, 2009.

⁶ Consists of bankers acceptances maturing within one year which are supported by a committed bank term credit facility of a parent company.

⁷ Secured by a floating charge on all assets of Imasco Enterprises Inc.

Imasco Limited
Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc.
For the years ended December 31

All tabular figures are in millions of dollars

Notes to the Condensed Consolidated
Financial Statements
of Imasco Enterprises Inc. (cont'd)

K. Shareholders' equity

| | 1991 | 1990 | 1989 |
|---|----------------|----------------|----------------|
| Capital stock | 2,364.9 | 2,364.9 | 2,659.9 |
| Contributed surplus | 200.0 | 200.0 | 200.0 |
| Unrealized gain on foreign currency translation | 3.9 | 4.3 | 4.7 |
| Retained earnings | 1,266.6 | 391.3 | 379.3 |
| | <u>3,005.4</u> | <u>2,960.5</u> | <u>3,243.9</u> |

During 1990, Imasco Enterprises Inc. redeemed 295,000 Series A 8% Non-Cumulative Preference Shares at their issue

price of \$1,000 per share. All capital stock is owned by Imasco Limited and its affiliates.

L. Business acquisition

On May 8, 1991, CT Financial Services Inc., through a wholly owned subsidiary, acquired a 98.95% ownership interest in First Federal Savings and Loan Association of Rochester. The total cost of the investment amounted

to \$217.7 million and consisted of a capital injection and debt subscription. Details of the acquisition, accounted for using the purchase method of accounting, are as follows:

| | 1991 |
|-------------------------------|----------------|
| Fair value of assets acquired | |
| Cash and short term notes | 1,132.1 |
| Securities | 1,726.5 |
| Loans | 2,580.7 |
| Other assets | 30.4 |
| | <u>5,469.7</u> |
| Less liabilities assumed | |
| Deposits | 1,004.1 |
| Advances and other borrowings | 2,111.9 |
| Deferred income taxes | |
| Minority interest | |
| | <u>3,116.0</u> |
| Total cost of investment | <u>2,353.7</u> |

No goodwill resulted from this purchase.

The assets and liabilities of First Federal at December 31, 1991 and the results of opera-

tions from date of acquisition are included in the condensed consolidated financial statements of Imasco Enterprises Inc.

M. Other information

CT Financial Services Inc., Canada Trustco Mortgage Company and Truscan Realty Lim-

ited all have capital stock listed on various securities exchanges and issue annual reports

Imasco Limited
Operating Company Statistics
Six year review
For the years ended December 31

Canadian operations

| | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Millions of dollars, except number of stores | | | | | | |
| Imperial Tobacco | | | | | | |
| Revenues ¹ | 2,952.7 | 2,707.6 | 2,385.6 | 2,018.1 | 1,926.0 | 1,754.6 |
| Sales and excise taxes | 1,912.5 | 1,744.5 | 1,489.4 | 1,156.1 | 1,109.8 | 1,042.6 |
| Operating earnings | 397.0 | 367.1 | 334.0 | 308.0 | 279.1 | 208.1 |
| Inventories | 391.5 | 379.7 | 381.0 | 321.4 | 360.4 | 396.5 |
| Capital assets ² | 123.0 | 125.0 | 118.9 | 113.4 | 110.7 | 112.1 |
| Capital expenditures ³ | 22.1 | 23.2 | 22.9 | 18.9 | 25.6 | 23.3 |
| Shoppers Drug Mart | | | | | | |
| System-wide sales ¹ | 2,934.1 | 2,843.6 | 2,597.7 | 2,355.6 | 2,073.4 | 1,775.0 |
| Revenues | | | | | | |
| Sales ⁴ | — | — | — | 80.0 | 74.6 | 41.5 |
| Service fees and other | 161.6 | 148.1 | 136.2 | 114.9 | 95.7 | 86.6 |
| | <u>161.6</u> | <u>148.1</u> | <u>136.2</u> | <u>194.9</u> | <u>170.3</u> | <u>128.1</u> |
| Operating earnings ⁵ | 87.9 | 80.5 | 70.6 | 57.1 | 51.3 | 48.9 |
| Inventories | — | — | 0.5 | 14.2 | 19.5 | 14.4 |
| Capital assets ² | 129.7 | 123.9 | 114.1 | 108.9 | 93.2 | 76.0 |
| Capital expenditures ³ | 30.9 | 33.7 | 27.3 | 33.5 | 31.4 | 33.3 |
| Number of stores | 671 | 645 | 633 | 613 | 586 | 543 |
| The UCS Group | | | | | | |
| Revenues ¹ | 305.1 | 314.7 | 286.1 | 256.6 | 235.3 | 206.0 |
| Operating earnings (loss) | (2.0) | 8.6 | 8.3 | 7.5 | 6.7 | 6.6 |
| Inventories | 47.4 | 44.5 | 37.4 | 35.4 | 39.2 | 33.1 |
| Capital assets ² | 22.1 | 22.9 | 21.2 | 19.9 | 18.9 | 15.2 |
| Capital expenditures ³ | 4.8 | 6.0 | 5.3 | 4.9 | 6.9 | 4.1 |
| Number of stores | 526 | 533 | 531 | 525 | 524 | 494 |

U.S. operations

| | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Millions of US dollars , except number of restaurants | | | | | | |
| Hardee's Food Systems | | | | | | |
| System-wide sales | — | 4,146.4 | 3,503.2 | 3,305.5 | 3,063.7 | 2,676.5 |
| Revenues | | | | | | |
| Sales | | | | | | |
| Company restaurants | 1,144.3 | 1,200.7 | 920.2 | 887.9 | 761.6 | 667.7 |
| Food, supplies and other | 611.3 | 569.3 | 523.4 | 483.4 | 544.9 | 468.0 |
| Service and licence fees | 74.7 | 76.8 | 65.7 | 59.6 | 53.6 | 46.2 |
| | <u>1,830.3</u> | <u>1,846.8</u> | <u>1,509.3</u> | <u>1,430.9</u> | <u>1,360.1</u> | <u>1,181.9</u> |
| Operating earnings ⁵ | 36.4 | 59.4 | 100.3 | 106.7 | 103.7 | 92.9 |
| Inventories | 55.7 | 58.1 | 57.4 | 56.0 | 53.9 | 39.2 |
| Capital assets ² | 648.5 | 738.8 | 465.4 | 433.3 | 516.7 | 399.0 |
| Capital expenditures ³ | 52.6 | 124.0 | 131.1 | 170.9 | 163.7 | 97.7 |
| Number of restaurants | | | | | | |
| Company-operated | 1,249 | 1,352 | 1,086 | 1,070 | 995 | 893 |
| Licensed | 2,765 | 2,670 | 2,212 | 2,081 | 1,962 | 1,818 |
| | <u>4,014</u> | <u>4,022</u> | <u>3,298</u> | <u>3,151</u> | <u>2,957</u> | <u>2,711</u> |

¹ Comparability is affected by the replacement of the Federal Sales Tax (FST) by the GST effective January 1, 1991. The GST is excluded from 1991 amounts while in previous years the FST was included.

⁴ In 1986, includes the sales of company-operated stores effective April 1. Revenues of these stores were previously reported as though they were operated by associates.

² Net of accumulated amortization.

⁵ After deduction of the amortization of purchase price allocations.

³ Expenditures on capital assets.

Imasco Limited
CT Financial Services Inc. Statistics¹
Three year review
For the years ended December 31

| | 1991 | 1990 | 1989 |
|---|-----------|-----------|----------|
| Millions of dollars, except per common share, locations and financial ratios | | | |
| Operations | | | |
| Investment income | 4,600.7 | 4,032.7 | 3,541.8 |
| Provision for investment losses | 114.7 | 70.0 | 30.1 |
| Net investment income after provision for investment losses | 4,486.0 | 775.6 | 721.2 |
| Fees, net commissions and other income | 567.9 | 287.1 | 295.3 |
| Earnings before operating expenses | 1,246.9 | 1,062.7 | 1,016.5 |
| Earnings before income taxes and minority interest | 321.2 | 318.2 | 357.2 |
| Provision for income taxes | 84.1 | 89.0 | 93.2 |
| Minority interest | 15.6 | 16.8 | 18.0 |
| Net earnings | 121.5 | 212.4 | 246.0 |
| Dividends on preference shares | 2.1 | 11.0 | 5.8 |
| Net earnings attributed to common shareholders | 219.4 | 201.4 | 240.2 |
| Per common share | | | |
| Net earnings | \$1.70 | \$1.70 | \$2.03 |
| Dividends paid | \$0.85 | \$0.80 | \$0.75 |
| Shareholders' equity – fully diluted | \$4.11 | \$13.15 | \$12.25 |
| Financial position | | | |
| Assets under administration (at book value) | 124,676.0 | 103,612.0 | 74,096.0 |
| Corporate assets | 42,168.4 | 35,087.4 | 32,666.0 |
| Loans | 31,223.1 | 25,518.4 | 24,201.0 |
| Deposits | 3,394.7 | 32,475.2 | 30,403.0 |
| Shareholders' equity | 1,711.1 | 1,710.9 | 1,551.1 |
| Locations | | | |
| Financial services branches | 416 | 338 | 331 |
| Real estate offices | 275 | 297 | 275 |
| Trust services offices | 23 | 23 | 22 |
| Financial ratios | | | |
| Return on common shareholders' average equity | 10.1% | 13.2% | 17.3% |
| Return on average corporate assets | 0.61% | 0.63% | 0.79% |
| Loan loss experience as a percentage of loans outstanding | 0.16% | 0.177% | 0.103% |
| Allowance for investment losses as a multiple of non-performing investments | 0.3 | 0.5 | 0.8 |
| Reconciliation to Imasco Limited's equity in net earnings of Imasco Enterprises | | | |
| Net earnings attributed to common shareholders | 219.4 | 201.4 | 240.2 |
| Minority interest | 4.3 | (24.0) | (31.3) |
| Amortization of acquisition goodwill | 45.8 | (45.0) | (42.1) |
| Financing and other activities, net of tax | 24.6 | (30.8) | (14.3) |
| Equity in net earnings of Imasco Enterprises | 194.8 | 101.6 | 152.5 |

¹ The statistics presented above have been extracted from CT Financial Services Inc.'s

annual report for the year ended December 31, 1991.

Imasco Limited
Selected Eleven Year Financial Data
For the years ended December 31

| | | 1991 | 1990 |
|----------------------|---|----------|----------|
| Operations | System-wide sales ¹ | 15,558.0 | 15,023.1 |
| | Revenues | 5,432.5 | 5,234.0 |
| | Amortization expense | 168.6 | 158.6 |
| | Operating earnings | 659.3 | 627.0 |
| | Corporate expense | 33.5 | 32.0 |
| | Interest expense | 198.2 | 212.9 |
| | Provision for income taxes | 96.0 | 90.7 |
| | Earnings before extraordinary items | 331.6 | 295.1 |
| | Net earnings after extraordinary items | 331.6 | 295.1 |
| | Earnings per common share before extraordinary items ² | \$2.56 | \$2.25 |
| Dividend record | On preference shares | 27.0 | 27.0 |
| | On common shares | 152.4 | 152.6 |
| | Per common share ² | \$1.28 | \$1.28 |
| Cash provided | From continuing operations | 494.7 | 428.8 |
| Capital expenditures | On capital assets ¹ | 118.3 | 207.6 |
| Financial position | Current assets | 749.6 | 831.5 |
| | Current liabilities ¹ | 580.9 | 517.4 |
| | Working capital ¹ | 168.7 | 314.1 |
| | Capital assets ¹ | | |
| | Before accumulated amortization | 1,842.1 | 1,807.2 |
| | Net of accumulated amortization | 1,073.2 | 1,145.2 |
| | Total assets | 5,371.5 | 5,445.0 |
| | Long term debt ¹ | 1,835.8 | 2,082.3 |
| | Excess of assets over liabilities | 2,929.7 | 2,799.8 |
| | Shareholders' equity | | |
| | Preference shareholders | 355.8 | 355.8 |
| | Common shareholders ³ | 2,499.4 | 2,364.1 |
| | Per common share ² | \$20.98 | \$19.85 |
| Financial ratios | Return on average common shareholders' equity ⁴ | 12.5% | 11.6% |
| | Return on average total assets | 6.1% | 5.5% |
| | Interest coverage ratio | 3.2x | 2.8x |
| | Current ratio ¹ | 1.3:1 | 1.6:1 |
| | Debt to total capital ratio ^{1,5} | 39.1% | 43.4% |
| | Common dividend payout ratio ⁶ | 50.0% | 56.9% |

¹ Comparative amounts have been restated to conform with the current year's presentation.

³ Common shareholders' equity includes unrealized loss or gain on foreign currency translation.

² Prior years' amounts have been restated to reflect the subdivisions of common shares on a two for one basis on March 22, 1985 and November 23, 1982.

⁴ Earnings before extraordinary items less dividends on preference shares as a percentage of average common shareholders' equity.

| 1989 | 1988 | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 |
|---|----------|----------|---------|---------|---------|---------|---------|---------|
| Millions of dollars, except per common share and financial ratios | | | | | | | | |
| 13,198.8 | 11,939.2 | 11,037.6 | 9,176.2 | 6,634.5 | 5,853.2 | 5,303.7 | 4,695.2 | 3,623.1 |
| 4,517.5 | 4,159.0 | 4,074.2 | 3,674.1 | 3,372.9 | 2,969.1 | 2,854.9 | 2,599.5 | 2,082.4 |
| 132.4 | 119.4 | 115.9 | 101.4 | 92.5 | 78.9 | 72.7 | 64.4 | 45.9 |
| 684.0 | 645.0 | 600.9 | 455.5 | 411.6 | 365.7 | 330.0 | 295.9 | 237.5 |
| 31.6 | 28.5 | 29.6 | 23.3 | 19.2 | 16.5 | 14.6 | 12.9 | 11.2 |
| 195.5 | 216.9 | 186.6 | 126.7 | 36.5 | 46.8 | 26.3 | 43.4 | 32.8 |
| 95.4 | 79.7 | 87.9 | 78.6 | 128.1 | 106.6 | 104.3 | 87.5 | 70.2 |
| 366.1 | 314.3 | 282.7 | 226.4 | 261.6 | 222.4 | 184.9 | 152.1 | 123.4 |
| 366.1 | 204.3 | 253.6 | 226.4 | 261.6 | 211.2 | 211.1 | 152.1 | 123.4 |
| \$2.87 | \$2.51 | \$2.24 | \$1.92 | \$2.40 | \$2.19 | \$1.81 | \$1.72 | \$1.40 |
| 24.3 | 15.1 | 15.1 | 7.1 | 0.3 | 2.1 | 8.6 | 9.0 | 7.6 |
| 133.5 | 124.0 | 114.4 | 95.8 | 78.4 | 59.1 | 43.4 | 32.1 | 28.0 |
| \$1.12 | \$1.04 | \$0.96 | \$0.84 | \$0.72 | \$0.59 | \$0.475 | \$0.388 | \$0.338 |
| 339.1 | 351.9 | 359.3 | 161.5 | 427.5 | 224.9 | 215.5 | 170.2 | 137.6 |
| 223.6 | 267.5 | 281.0 | 196.3 | 127.3 | 154.8 | 101.0 | 109.5 | 105.5 |
| 1,435.9 | 1,363.7 | 1,541.6 | 1,434.2 | 1,609.7 | 1,349.0 | 927.2 | 757.3 | 638.4 |
| 775.9 | 782.4 | 875.1 | 839.8 | 781.7 | 596.2 | 381.2 | 317.5 | 302.9 |
| 660.0 | 581.3 | 666.5 | 594.4 | 828.0 | 752.8 | 546.0 | 439.8 | 335.5 |
| 1,610.5 | 1,598.4 | 1,710.4 | 1,534.3 | 1,351.5 | 1,137.7 | 827.7 | 801.7 | 651.7 |
| 930.3 | 960.5 | 1,108.4 | 1,000.2 | 913.8 | 786.2 | 533.9 | 534.9 | 428.5 |
| 5,378.0 | 5,310.2 | 5,656.6 | 5,505.5 | 2,905.7 | 2,560.9 | 1,658.5 | 1,479.0 | 1,235.9 |
| 1,850.8 | 2,158.4 | 2,476.0 | 2,473.4 | 601.8 | 644.4 | 266.7 | 316.1 | 327.0 |
| 2,695.9 | 2,354.4 | 2,254.3 | 2,137.1 | 1,488.6 | 1,285.6 | 968.6 | 798.7 | 578.0 |
| 355.8 | 205.8 | 205.8 | 205.8 | 5.8 | 5.8 | 98.8 | 110.7 | 110.3 |
| 2,254.6 | 2,055.2 | 2,048.5 | 1,931.3 | 1,482.8 | 1,279.8 | 869.9 | 688.0 | 467.6 |
| \$18.91 | \$17.24 | \$17.19 | \$16.22 | \$13.62 | \$11.75 | \$9.43 | \$7.57 | \$5.65 |
| 15.9% | 14.6% | 13.4% | 12.8% | 18.9% | 20.5% | 22.6% | 24.8% | 27.2% |
| 6.9% | 5.7% | 5.1% | 5.4% | 9.6% | 10.5% | 11.8% | 11.2% | 12.1% |
| 3.3x | 2.8x | 3.1x | 3.4x | 10.7x | 7.5x | 12.0x | 6.5x | 6.9x |
| 1.9:1 | 1.7:1 | 1.8:1 | 1.7:1 | 2.1:1 | 2.3:1 | 2.4:1 | 2.4:1 | 2.4:1 |
| 41.5% | 48.8% | 52.3% | 53.6% | 28.8% | 33.4% | 21.6% | 28.4% | 36.0% |
| 39.0% | 41.4% | 42.9% | 43.8% | 30.0% | 26.9% | 26.2% | 22.6% | 24.1% |

⁵ Long term debt as a percentage of long term debt and total equity.

⁶ Dividend per common share as a percentage of current year earnings per common share before extraordinary items.

Imasco Limited
Quarterly
Consolidated Financial Information

| | | Millions of dollars, except per common share | | | | |
|------|----------------------------|--|--------------|--------------|--------------|--------------|
| 1991 | | March | June | September | December | Total |
| | System-wide sales | 3,469.2 | 4,056.3 | 4,154.6 | 3,877.9 | 15,558.0 |
| | Revenues | 1,121.5 | 1,453.0 | 1,469.9 | 1,388.1 | 5,432.5 |
| | Operating earnings | | | | | |
| | Imperial Tobacco | 85.0 | 88.0 | 108.0 | 116.0 | 397.0 |
| | Hardee's | (9.8) | 27.9 | 19.6 | 3.9 | 41.6 |
| | Shoppers Drug Mart | 16.9 | 18.4 | 21.2 | 31.4 | 87.9 |
| | The UCS Group | (1.1) | (1.3) | (0.3) | 0.7 | (2.0) |
| | Equity in net earnings | | | | | |
| | of Imasco Enterprises | 32.3 | 34.5 | 39.0 | 29.0 | 134.8 |
| | | <u>123.3</u> | <u>167.5</u> | <u>187.5</u> | <u>181.0</u> | <u>659.3</u> |
| | Corporate expense | 8.4 | 8.2 | 7.9 | 9.0 | 33.5 |
| | Interest expense | 55.5 | 50.8 | 49.5 | 42.4 | 198.2 |
| | Provision for income taxes | 7.5 | 23.0 | 30.3 | 35.2 | 96.0 |
| | Net earnings | 51.9 | 85.5 | 99.8 | 94.4 | 331.6 |
| | Per common share | | | | | |
| | Net earnings | \$0.38 | \$0.66 | \$0.78 | \$0.74 | \$2.56 |
| | Dividends | \$0.32 | \$0.32 | \$0.32 | \$0.32 | \$1.28 |
| | Market price – High | 29¼ | 32¼ | 32¾ | 36¾ | |
| | – Low | 26¾ | 26⅝ | 28⅝ | 31⅝ | |
| 1990 | | March | June | September | December | Total |
| | System-wide sales | 3,399.7 | 3,797.0 | 3,925.9 | 3,900.5 | 15,023.1 |
| | Revenues | 1,113.2 | 1,334.1 | 1,424.2 | 1,362.5 | 5,234.0 |
| | Operating earnings | | | | | |
| | Imperial Tobacco | 80.2 | 85.0 | 98.3 | 103.6 | 367.1 |
| | Hardee's | 7.8 | 44.3 | 22.6 | (5.5) | 69.2 |
| | Shoppers Drug Mart | 16.8 | 17.4 | 19.7 | 26.6 | 80.5 |
| | The UCS Group | (0.2) | 0.6 | 2.3 | 5.9 | 8.6 |
| | Equity in net earnings | | | | | |
| | of Imasco Enterprises | 30.3 | 33.2 | 21.5 | 16.6 | 101.6 |
| | | <u>134.9</u> | <u>180.5</u> | <u>164.4</u> | <u>147.2</u> | <u>627.0</u> |
| | Corporate expense | 8.0 | 8.2 | 7.6 | 8.2 | 32.0 |
| | Interest expense | 47.6 | 56.8 | 54.2 | 54.3 | 212.9 |
| | Provision for income taxes | 14.1 | 25.6 | 25.3 | 25.7 | 90.7 |
| | Discontinued operations | 1.4 | 2.1 | 0.2 | – | 3.7 |
| | Net earnings | 66.6 | 92.0 | 77.5 | 59.0 | 295.1 |
| | Per common share | | | | | |
| | Net earnings | \$0.50 | \$0.72 | \$0.59 | \$0.44 | \$2.25 |
| | Dividends | \$0.32 | \$0.32 | \$0.32 | \$0.32 | \$1.28 |
| | Market price – High | 38¼ | 37¾ | 37⅞ | 31⅞ | |
| | – Low | 33⅞ | 34 | 30⅞ | 25½ | |

Officers and Operating Company Information

Imasco Limited

600 de Maisonneuve Blvd. West
20th Floor
Montréal, Québec
H3A 3K7

Purdy Crawford
Chairman and Chief Executive Officer
Jean-Louis Mercier
Vice-Chairman
Brian M. Levitt
President
Raymond E. Guyatt, C.A.
Executive Vice-President and Chief
Financial Officer
Torrance J. Wylie
Executive Vice-President
Roy R. Schwartz
Senior Vice-President
Pierre Duhamel, C.A.
Vice-President and Controller
Ron Farrell
Vice-President, Administration
Luc Jobin, C.A.
Vice-President, Business Development
Hugh W. McAdams, C.A.
Vice-President and Treasurer
Peter McBride
Vice-President, Public Affairs
Annette Verschuren
Vice-President
Rodrick K. MacKinnon
Secretary and Counsel
Denis Faucher, C.A.
Assistant Treasurer
Pierre Leclerc
Assistant Secretary

Imperial Tobacco Limited

3810 St. Antoine Street West
Montréal, Québec
H4C 1B5

Jean-Louis Mercier
Chairman and Chief Executive Officer
R. Donald Brown
President and Chief Operating Officer
Roger S. Ackman
Vice-President, General Counsel and
Secretary
Robert Bexon
Vice-President, Marketing
Michael A. Courtney
Vice-President, Finance
Marius Dagneau
Vice-President, Human Resources
Patrick J. Dunn
Vice-President, Research and
Development
André Laporte
Vice-President, Manufacturing
Thomas F. Lee
Vice-President, Materials Management
Édouard Darche, C.A.
Controller

General Cigar Company
Montréal, Québec

Imperial Leaf Tobacco
Aylmer, Ontario

du Maurier Arts Ltd.
Montréal, Québec

du Maurier Ltd.
Montréal, Québec

Matinée Ltd.
Montréal, Québec

Player's Ltd.
Montréal, Québec

CT Financial Services Inc.

275 Dundas Street
London, Ontario
N6A 4S4

Purdy Crawford
Chairman
Peter C. Maurice
President and Chief Executive Officer
W. Edmund Clark
Vice-Chairman and Chief Operating
Officer
Richard B. Coles
Executive Vice-President, Corporate and
Commercial Financial Services
President, Truscan Realty Limited
J. Brent Kelman
Executive Vice-President, Corporate
Services
John F. Schucht
Executive Vice-President, Retail
Financial Services National Operations
and Real Estate
Christopher J. Stringer
Executive Vice-President, Trust Services
G. Tom Gunn
Senior Vice-President, Capital Funds
and Chief Financial Officer
William C. Thornhill
Senior Vice-President, Finance
Alan D. Wolfson
Senior Vice-President, Market
Intelligence
Liam S. O'Brien
Vice-President, Corporate Relations
John L. Doran, C.A.
Vice-President, Audit Services
John A. Whaley
Vice-President, General Counsel and
Secretary

Canada Trustco Mortgage Company
London, Ontario

The Canada Trust Company
London, Ontario

Truscan Realty Limited
London, Ontario

Hardee's Food Systems, Inc.

1233 Hardee's Blvd,
Rocky Mount, NC 27804-2815
U.S.A.

Jack A. Laughery
Chairman
Robert F. Autry
President and Chief Executive Officer
Breen O. Condon
Executive Vice-President,
General Counsel and Secretary
Richard L. Hall
Executive Vice-President and
Chief Financial Officer
Jim Jensen
Executive Vice-President, Operations
Gerald L. McGinnis
Executive Vice-President, Development
Jerry Gramaglia
Senior Vice-President, National
Marketing
James L. Jaffre
Senior Vice-President, International
Brent Michaels
Senior Vice-President, Restaurant
Operations
Edna Morris
Senior Vice-President, Human
Resources

Fast Food Merchandisers, Inc.

Robert F. Autry
President and Chief Executive Officer
F. Winslow Goins
Chief Operating Officer
Dean Spangler
Executive Vice-President, Operations

Shoppers Drug Mart/Pharmaprix

225 Yorkland Blvd.
Toronto, Ontario
M2J 4Y7

Murray B. Koffler, c.m.
Honorary Chairman
David R. Bloom
Chairman and Chief Executive Officer
Herbert R. Binder
President and Chief Operating Officer
Kenneth A. Sloan, c.a.
Senior Executive Vice-President,
Finance and Planning, and Chief
Financial Officer
Dale Daley
Senior Executive Vice-President,
Operational Services
Marvin A. Goldberg
Senior Executive Vice-President, Legal
and Corporate Affairs, and Secretary
Stanley A. Thomas
Senior Executive Vice-President,
Marketing
Fred K. Van Laare
Senior Executive Vice-President,
Operations
Louis M. Goelman
Executive Vice-President,
Merchandising and Distribution
Isadore Snyder
Executive Vice-President, Retail
Development
Malcolm G. Swartz, c.a.
Executive Vice-President,
Administration
Bob Yorston
Executive Vice-President, Atlantic
Claude Allard
Executive Vice-President, Pharmaprix
Albert Krakauer
Executive Vice-President, Ontario
Brian P. Relph
Executive Vice-President, Ontario
Cliff Proceviat
Executive Vice-President, Prairies
Terry Morrison
Executive Vice-President, British
Columbia
Raymond A. Hallett
Senior Vice-President, Human
Resources
Arthur Konviser
Senior Vice-President, Public Affairs
Gordon Stromberg
Senior Vice-President, Advertising

The UCS Group

50 Overlea Blvd.
Toronto, Ontario
M4H 1B9

Norman Latowsky
President and Chief Executive Officer

Imasco Enterprises Inc.

600 de Maisonneuve Blvd. West
Montréal, Québec
H3A 3K7

Brian M. Levitt
President

Genstar Development Company

200 Granville Street
Vancouver, British Columbia
V6C 1S4

Les Cosman
President

Imasco Holdings, Inc.

Two Blue Hill Plaza
Pearl River, NY 10965-8588
U.S.A.

Lloyd J. Schnell
President

Imasco Financial Corporation

600 de Maisonneuve Blvd. West
Montréal, Québec
H3A 3K7

Brian M. Levitt
President

Imasco B.V.

Herengracht 495
1017 BT Amsterdam
The Netherlands

Alan J. Perrier, c.a.
President and Managing Director

Fribourg Branch
34, rue de Lausanne
CH-1701 Fribourg
Switzerland

John F. Mathers, c.a.
Managing Director

Incorporation

Under Federal Charter April 3, 1912.
Continued under the Canada Business Corporations Act August 6, 1976.

Shareholder and analyst contact

Peter McBride
Vice-President, Public Affairs
(514) 982 6407

Other enquiries

P.O. Box 6800
Westmount, Québec
H3C 3L4
(514) 982 9111
Fax: (514) 982 9369

Stock exchange listings

Montréal, Toronto, Vancouver

Symbols

IMS Common shares
IMS.PR.C 7.375% Retractable First Preference
Shares Series C
IMS.PR.A 6% Cumulative Preference Shares

Reporting calendar

The fiscal year end is December 31. The annual report is mailed in March and interim reports are mailed in May, August and November.

Dividend dates

Common shares;
7.375% Retractable First Preference Shares Series C;
7.90% Perpetual First Preference Shares Series D;
Quarterly: March, June, September and December.
6% Cumulative Preference Shares;
Semiannually: March and September.

Debentures

11.85% due February 1996,
interest payable February 15 and August 15;
10½% due November 1996,
interest payable May 20 and November 20;
10½% due April 1998,
interest payable April 28 and October 28;
10¼% due December 2001,
interest payable June 18 and December 18.

Notes

10½% due July 1993,
interest payable July 7;
Medium term notes,
interest payable February 15 and August 15.

Transfer agent and registrar

The Montreal Trust Company
Stock and Bond Transfer Department
Place Montréal Trust
1800 McGill College Avenue, 6th floor
Montréal, Québec
H3A 3K9
(514) 982 7555

Montreal Trust is responsible for the maintenance of shareholder records and the issue, transfer and cancellation of stock cer-

tificates. Transfers can be effected in their Montréal, Halifax, Toronto, Winnipeg, Regina, Calgary and Vancouver offices. Montreal Trust also distributes dividends and proxy circulars. Enquiries with respect to these matters should be addressed to Montreal Trust.

Direct dividend deposit service

For convenience and security, Imasco offers a direct dividend deposit service to its Canadian shareholders. The dividend payments are transferred electronically to the shareholder's bank account on the date they become due. Shareholders wishing to take advantage of this service should direct their request to Montreal Trust.

Payments of dividends to U.S. residents

Shareholders with addresses of record in the United States receive their dividends in US funds. The dividend amount is converted at the Bank of Canada noon rate of exchange on the record date. Canadian withholding tax is deducted.

Auditors

Deloitte & Touche
Chartered Accountants
800 Tour de la Place Victoria, Suite 3000
P.O. Box 325
Montréal, Québec
H4Z 1H8

Shareholdings

On December 31, 1991, there were 9,392 registered holders of Imasco common shares. By country, ownership of the various classes of shares was distributed as follows:

| | Common Shares | 6% Preference Shares | 7.375% Preference Shares Series C | 7.90% Preference Shares Series D |
|-----------------|------------------|----------------------------|--|---|
| Canada | 57.79% | 98.66% | 100% | 100% |
| U.S.A. | 1.37% | 0.06% | — | — |
| U.K. | 40.80% | 1.15% | — | — |
| Other countries | 0.04% | 0.13% | — | — |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |



Design: Roch Design
Photography: Bernard Bohn
Typography: CompoEm
Colour separation: Québecor Photolitho
Printing: RBT Printing
Printed in Canada